FINANCIAL TIMES

World Business Newspaper http://www.FT.com

TUESDAY APRIL 6 1999

Valuing internet companies
Virtual profits in a virtual industry
Peter Martin, Page 12

Brazilian economy
Confidence begins to return
Page 6

Airline in transit
New look, new fleet to boost SAS profits
Page 17

What's in a name?
The magic of the Euro-tandoori
Page 8

WORLD NEWS

China in gesture to US business as Zhu flies to Washington

Chinese premier Zhu Rongji travels to the US today ready to *face critics on a talk show and* display his populist style by visiting a farm and a ball game. Beijing, working to repair damaged links with Washington, said two US insurers would be granted licences to operate in China. **Page 14; Letters, Page 12**

Oil station bombed, says Iraq
Iraq said Western bombs *destroyed another* control station on a pipeline used to export oil at its Mina-al-Bakr termina. But a *shipping source in London said* oil was still being loaded there.

China dam project criticised
A Chinese critic of her country's Three Gorges dam project has urged foreign investors to pull *their funds out. Anti-dam campaigner* Dai Qing said foreign funding made the project the "world's responsibility".

Indian cabinet rejects demands
India's cabinet rejected the demands of a key coalition ally which has set the defence minister's dismissal and the reinstatement of a navy chief as the price for its continued support. **International, Page 6**

Anwar injuries investigated
A royal commission investigating injuries sustained by sacked *Malaysian* finance minister Anwar Ibrahim while in police custody *will present its report to Malaysia's* king tomorrow.

Georgia may end CIS security link
Georgian president Eduard Shevardnadze *said his country might* end its security co-operation with *the Commonwealth of* Independent States, a loose grouping of ex-Soviet states. He said the CIS collective *security* treaty had not been of use so far.

Exiled dissident lands in Thailand
Exiled *Chinese dissident* Wang Xizhe arrived in Bangkok after the failure of his attempt to return home to pay respects to his deceased father. He was taken off a New York-Beijing flight during a stop in Seoul.

East Timorese called to arms
Jailed East Timorese *guerrilla* leader Xanana Gusmao urged war against Indonesian forces in the territory. *His call came after* allegations that Indonesian forces *and Jakarta loyalists had killed* 17 people in East Timor.

Nigerian poll appeal fails
Nigeria's appeal court dismissed a *challenge to the presidential* election victory of former military *ruler Gen Olusegun Obasanjo,* brought by defeated rival Olu Falae. **International, Page 6**

UK issues guidelines on nannies
The British government is issuing guidelines for employing nannies *or au pairs* but it has rejected calls for a register, saying the large number who come from overseas would make this unworkable. **UK, Page 8**

Drug shows wider promise
Endostatin, the Harvard-developed experimental drug that has been found to shrink cancer tumours in mice, is also showing promise against heart disease.

Portuguese truck drivers on strike
Portuguese truck drivers launched a pay strike. The Federation of Road and Urban Transport *Unions expects most* of the country's 35,000-40,000 *drivers to join the stoppage.*

BUSINESS NEWS

Paribas and SG boards may face dissent over bid

Société Générale and Paribas boards are expected today to *confirm their rejection of the* two-pronged hostile bid for them by rival Banque Nationale de Paris, but the voting may show up the first signs of dissent. **Page 15**

Japan's nine largest commercial *banks sold a record Y3,000bn* ($25bn) worth of bad loans in the year to March 31 as part of their *restructuring* programmes. **Page 15; Editorial Comment, Page 13; Lex, Page 14**

Société Générale, French bank, said it would take part in the joint venture between Nomura Securities, Japan's largest securities house, and Industrial Bank of *Japan in the pensions market.* **Page 16**

Grafton Group, Irish builders' merchanting group, is close to *buying a private builders'* merchant company in the UK for *about £13m ($21m).* **Page 20**

ING has been chosen to advise on the sale of a strategic stake in Telekomunikacja Polska SA, *Poland's state-controlled* telecoms operator. **Page 17**

Grupo Tribasa, troubled Mexican construction company, is seeking a strategic alliance with a subsidiary of US-owned energy giant *Enron Corp.* **Page 18**

Citigroup aims to gain economies of scale from its switch of business away from the Visa credit *card association to its rival* MasterCard. **Page 15; Lex, Page 14; *Problems fail to knock Citigroup,* Page 18**

Nissan Motor, troubled Japanese carmaker allied with Renault, has *a Y580bn ($4.8bn) shortfall in its* pension reserves, the French car*maker has calculated.* **Page 15**

Gap chief executive Millard *Drexler saw his remuneration* more than doubled last year to *$7.3m as the retailer delivered* strong profits growth. **Page 18**

United Pan-Europe Communications, cable television *provider, is seeking further acquisitions* after buying businesses in *three countries.* **Page 17**

Okuma, Japanese machine tool company, *plans to boost its* sales in Europe. **Page 17**

Tambang Timah, Indonesian tin mining group, plans to buy into *three other mining companies* and an asphalt plant. **Page 16**

Andrew Parlin, who was placed on administrative leave during a US Securities and Exchange Commission investigation into *trades in British Biotech, is a* senior executive at the fund man*agement group involved*, Oechsle International Advisers. **Page 15**

GTE, *US telecoms group*, is to buy the cellular business of Mid*west-based local carrier Ameri*tech in three states for $3.27bn **Page 18**

Chilean companies are returning *to the Yankee bond market with* up to $2bn worth of deals in the *pipeline or already priced.* **Page 16**

Lex on Philips
Semiconductors and phones
Page 14

Kosovo airlift swings into action

Confusion over moving refugees ● Nato steps up attacks

By Our International Staff

The international airlift of food and aid to the 360,000 refugees driven out of Kosovo in the past fortnight gathered pace yesterday, but there was confusion over plans to move displaced ethnic Albanians temporarily to western countries.

At the same time, Nato took advantage of clearer weather over Yugoslavia to launch its *heaviest raids since the air campaign* started two weeks ago.

Its warplanes and missiles hit targets in nine cities, including the headquarters of the Yugoslav air defence forces in the Belgrade suburb of Zemun. The building had already been abandoned but, by destroying it, Nato again showed it was ready to target buildings in the middle of densely populated civilian areas. The US said yesterday President *Slobodan Milosevic would not be* allowed to cap the clearing of ethnic Albanians out of Kosovo with a "phoney peace deal".

James Rubin, the State Department spokesman, said Washington had "indications" that Mr Milosevic might be about to propose a peace deal, now that he *was near his apparent goal of* "ethnically cleansing" Kosovo of its Albanian majority. Mr Rubin said Nato would stick to its goals of getting Serb forces out of Kosovo and letting Albanian refugees return under international protection.

Albania last night said it would take in up to *100,000 Kosovar* refugees from Macedonia, whose Slav-dominated government had said it could take no more ethnic *Albanian refugees without* endangering its internal stability.

"Albania is the only country ... which cannot close its doors to Albanians expelled by Milosevic," said its information minister, who nonetheless admitted his country would not be able to cope properly with this addi*tion to the 226,000 Kosovars* who had already fled directly to Albania.

This gesture from Tirana appeared to rescue western governments from having to honour fully their weekend promises to Macedonia to give temporary asylum to up to 120,000 refugees – *25,000 in north America* and nearly 100,000 in western Europe.

Designed as a burden-sharing gesture to Macedonia, the idea of *a large-scale refugee movement* from the region came under fire from Clare Short, Britain's aid minister, and Emma Bonino, European Union aid commissioner, who said refugees should be fed and sheltered on the spot.

Nato said it was operating "a humanitarian air bridge" to Mac*edonia and Albanian,* with 13 relief flights on Sunday and 31 scheduled yesterday. But the Nato spokesman said that while the alliance was a "good Samaritan", "we are not a refugee organisation".

Allied air forces claimed technical problems in filling empty *returning cargo planes with refugees.* One report suggested the aid effort might cut across the military campaign because US cargo planes might be too busy to ferry US Apache gunship helicop*ters to Albania in less than a* week.

Nato was last night awaiting formal agreement from Tirana for the deployment of the 24 Apache helicopters armed with Hellfire missiles, plus Multi-Launch Rocket systems with a range of 160kms. Greatly increas*ing Nato's ability to strike deep* into Kosovo, these deployments would make Albania an accomplice to the conflict and expose it to Yugoslav reprisals.

Reporting by Guy Dinmore in Belgrade, Stefan Wagstyl in Tirana, David Buchan in London and Neil Buckley in Brussels

Kosovo crisis, Pages 2 and 3

UN SUSPENDS SANCTIONS AS TWO LIBYANS FINALLY SUBMIT TO SCOTTISH JUSTICE IN THE NETHERLANDS

Lockerbie bomb suspects flown in for murder trial

By Gordon Cramb in Rotterdam, George Parker in London and Gautam Malkani in Washington

The two Libyans suspected of planting the bomb that caused the Lockerbie air disaster were taken to the Netherlands for trial yesterday, ending a near eight-year diplomatic stand-off.

As soon as they landed in the Netherlands, Kofi Annan, UN *Secretary-General, sent a letter to* the Security Council, prompting the suspension of the sanctions imposed against Libya in 1992.

Hans Corell, the UN's chief legal counsel, escorted the two suspects on a 3½-hour flight to a Dutch military airfield at Valkenburg, near Leiden. He said the *procedure was dignified and the* two were treated as ordinary pas*sengers.*

The suspects are to be tried by a Scottish court sitting in the Netherlands. The Libyan government resisted demands for the trial in Britain or the US.

The PanAm flight crashed in *the Scottish village* in December 1988, with Americans accounting *for most of the 270 who died.*

Yesterday's handover encountered a final delay when the government of Muammer Gadaffi *held an "unexpected ceremony"* to mark the occasion, said Mr Corell.

The suspects, Abdel Basset Ali Mohamed al-Megrahi and Lamen Khalifa Fhimah, alleged to have been Libyan intelligence agents, were each accompanied on the flight by a brother and their lawyers.

A Dutch judge at the airfield *extradited the two suspects,* who were then handed to Scottish police based at the nearby Camp Zeist, where their trial for murder is to take place.

Mr Corell, speaking at Rotterdam airport, said: "What has been achieved by the states concerned in this case is unprece*dented ... We have never dis*cussed the question of guilt or innocence," he added, noting that, under international law, they remain innocent. If convicted, the men would serve their sentences in Scotland.

Libya would be expected to compensate the relatives of vic*tims of the Lockerbie bombing if* the two suspects were convicted. *Robin Cook, the UK foreign sec*retary, said in London. The Foreign Office said the potential compensation was hard to assess but could reach hundreds of millions of pounds.

Mr Cook praised Nelson Mandela, South African president, for persuading Tripoli to hand over the suspects.

Meanwhile Tony Blair, UK *prime minister*, paid tribute to the families of the relatives, who *waited more* than 10 years for this moment. "I have met them and found them extraordinarily courageous people who have been very patient," he said.

Bill Clinton, US president, said he was gratified that the two suspects would face trial.

"At last the road to justice has begun," he said. "But most important, today is a day to *remember* the men and women who lost their lives on Pan Am 103. I know their loved ones have suffered greatly. They too have laboured hard to bring justice."

Relatives expressed concern that the suspects, if found guilty, were probably just carrying out orders. They were suspicious of the lifting of sanctions against Libya within 90 days of the handover before it was clear that Libya would fully co-operate with *the trial.*

Special Report, Page 4
Gadaffi's gamble, Page 12
Editorial Comment, Page 13


Abdel Basset Ali Mohamed al-Megrahi, left, and Lamen Khalifa Fhimah: alleged to have been Libyan intelligence agents

Prodi wants veto on Brussels 'lame ducks'

By Peter Norman, Lionel Barber and James Blitz

Romano Prodi, the European Commission president-designate, will seek to create a "high-level team" of commissioners, and is prepared to quarrel with European Union governments to get his way.

In an interview with the Financial Times, Mr Prodi said "the time for sending lame ducks to Brussels is over". If a member state nominated a commissioner *who Mr Prodi regarded as* unqualified, "I would have a duty to say no", he said.

However, before Mr Prodi starts to assemble his team, he is likely to face close questioning about his political ambitions in the European Parliament election in June, and how they might *delay his project for reforming* the EU's executive body.

Mr Prodi expects to discuss his future plans for the Commission *and Europe with leaders of the* Socialist and centre-right political groups in the European Parliament on Thursday and with EU leaders on April 14.

In the interview, Mr Prodi confirmed he had still not made up his mind whether to stand as a candidate for his new Italian centrist movement. His decision could have a profound effect on Italian politics. By the standards of Italy's fractured political system, Mr Prodi's "Democrats" movement is riding high in the opinion polls with 12-14 per cent support. That could slump if he does not stand, enhancing the prospects of Massimo D'Alema, the Italian prime minister.

Relations between the two men have been bad since the fall of Mr Prodi's government last October, although Mr D'Alema supported the former prime minister for the Commission presidency.

"There is no legal impediment, prohibition or incompatibility [in running for the European Parliament as designated Commission president]," Mr Prodi said in the interview. He added that in many people's eyes "it would be positive if the Commission president could pass some kind of political test". *On the other hand, he* admitted there could be drawbacks if the Commission presidency were seen to lose some of *its bipartisan appeal* in the European Parliament.

At their summit meeting in Berlin last month, EU leaders proposed that the present European Parliament should approve Mr Prodi as Commission president before it dissolves in May.

Euro credibility, Page 3; Prodi interview, Editorial Comment, Page 13

WORLD MARKETS

STOCK MARKET INDICES		
New York		
Dow Jones Ind Av	9,964.01	(+151.5)
NASDAQ Composite	1,316.86	(+22.16)
Europe and Far East		
CAC40	(c)	
DAX	(c)	
FTSE Eurotop300	(c)	
Nikkei	16,334.78	(+44.59)
US RATES		
Federal Funds	4.8125%	
3-mth Treas Bills: Yld	4.41%	
Long Bond	94⅞	
Yield	5.61%	

GOLD		
New York Comex		
(Apr)	$278.3	(278.2)
DOLLAR		
New York		
£	1.6020	
€	0.9332	
SFr	1.4896	
Y	121.825	
Tokyo close:	Y 121.5	

London markets closed yesterday.

© THE FINANCIAL TIMES LIMITED 1999 No.33,874
London • Leeds • Paris • Frankfurt • Stockholm • Milan • Madrid • New York
Chicago • Los Angeles • Tokyo • Hong Kong

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	Dkr16.00	Latvia	Ls1.65	South Africa	R16
Estonia	SKr34.00	Lithuania	Lit21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	LBP3.500	Sweden	SKr28.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

For subscription information please contact:
Subscription Sales Department, The Financial Times Limited,
Number One Southwark Bridge, London. SE1 9HL.
Tel: +44 171 873 4200 Fax: +44 171 873 3428
E-mail: FTE.Sales@FT.com

CONTENTS

Full contents and Lex: back page

WORLD NEWS
KOSOVO CRISIS

NATO AIR STRIKES DEPLOYMENT REQUEST TO TIRANA ■ WASHINGTON MOOD HARDENS ■ REFUGEES HELD UP ON MACEDONIAN BORDER ■ MONTENEGRO'S STABILITY AT RISK

Apache plan draws Albania into conflict

By Neil Buckley in Brussels and John Thornhill in Moscow

Nato was last night awaiting formal agreement from Albania to deploy 24 US Apache helicopter gunships *on its territory, plus a support* force of 2,000 solders, moving the conflict into a new *stage*.

Nato ambassadors authorised Javier Solana, the alliance's secretary-general, to make the formal request to Tirana after consultations during the day.

This would be the first time Nato has deployed forces in a non-member country and would greatly increase the alliance's ability to strike targets on the ground deep inside Kosovo.

But *it would also turn* Albania in effect into a participant in the Nato campaign – *and leave it liable to* possible reprisals from Yugoslav forces.

Jamie Shea, the Nato spokesman, hinted that Nato had given assurances of protection in the event of an attack. "We've always made clear that Nato would treat with the utmost seriousness any threat to a partner country," he said.

Mr Shea said the idea of a security force to protect *returning refugees* was being considered. Nato's ultimate aim, he said, was for all *those displaced from Kosovo* to "return freely, safely and quickly to their homes".

"That is inconceivable without an international military presence on the ground in Kosovo, at least during a transitional period," he said.

Such a force would be Nato-led but could include forces from non-member countries, he added.

Meanwhile, Russia's ambassador to Yugoslavia yesterday held talks in Pristina, the Kosovo capital, with Ibrahim Rugova, the *moderate Kosovo* Albanian leader, to give renewed impetus to Moscow's latest peace *initiative. According* to Russian news agencies, Mr Rugova called for an end to Nato's air strikes and said he was prepared to fly to Moscow to seek a peaceful solution to the crisis.

Nato has suggested that Mr Rugova has been placed under house arrest and may be acting under duress. But ORT, Russia's state television channel, reported that Mr Rugova was being guarded by Serb forces to protect him from attacks by radicals from the Kosovo *Liberation Army*.

Mr Rugova became the subject of intense controversy last week when television pictures showed him in a meeting with Yugoslav *President Slobodan Milos*evic apparently calling for Nato air operations to end.

On Sunday, Mr Shea said that the pictures might have been taken two years previously and that the text of Mr Rugova's comments had been altered to distort his message. The Yugoslav official news agency Tanjug said yesterday: "Rugova himself used the occasion [meeting] to reject Sunday's *statement of Nato spokes*man Jamie Shea that he [Rugova] had not met... *President* Slobodan Milosevic, and that the pictures taken on April 1 could be *two years old*."

It added: "The Russian ambassador to Belgrade ... confirmed *[Rugova] is* safe and alive, that he is free to move and that his house is not damaged, thus rejecting the speculations of certain foreign media and Nato officials that Rugova has been arrested and his house *burned*."

US betrays signs of shift over troops

By Gerard Baker in Washington

As the US began dispatching to Albania yesterday two dozen Apache attack helicopters, numerous heavy *artil*lery units and 2,600 troops, it looked increasingly as though Washington was sliding inexorably into the kind of intensification of the military conflict with Yugoslavia it has repeatedly refused *even to contemplate*.

Officials insisted the deployment of what are essentially ground-based forces on the Kosovo border did not represent the first step towards a full-scale land offensive against the Serbian forces *attacking* Kosovo Albanians.

Instead, they argued, the *new units would simply* provide much needed materiel to help the air-based campaign against President Slobodan Milosevic's soldiers. The Apaches, flying low and slow above the ground in Kosovo, would be *better able than fixed-wing* aircraft to target the Serb forces, while the troops and ground-launched missiles would be tasked to take out any threat to the Apaches as they did their work.

Joseph Lockhart, the White House *press secretary*, repeated the now familiar mantra yesterday that the US and Nato had "no intention" of introducing ground *forces into the campaign* and insisted that the allied operation was going according to *plan and had not changed its* objectives.

But the terms of the debate in Washington have clearly shifted in the last week and the deployment of the Apaches and troops is a clear response to the growing *pressure* on the *administration* of President Bill Clinton to do more. Pentagon officials acknowledge they have been disappointed by the failure of the air campaign so far to do more damage to Mr Milosevic's resources and morale, and by the scale of the refugee crisis.

And, while many domestic critics were opposed to the idea of even a limited air campaign in the Balkans a few weeks ago, many are now saying the attack needs to be widened dramatically. A number of prominent *Democrats and Republicans* have said in the last few days the administration has made a serious mistake in ruling out ground troops.

National security officials continue to point out the practical impossibility of launching a land-based offensive aimed at expelling the Serbs from Kosovo.

Children run towards Puma helicopters delivering rations on the outskirts of Kukes yesterday AP

"Roads are mined, there are 300 Serb tanks, small units are operating from village to village, mountain to mountain. We have no plan to fight our way in in that environment," said one.

But there are signs of a *subtle shift that may not* necessarily lead to an all-out land offensive in Kosovo but that could involve a limited military operation on the ground aimed at resettling refugees. Yesterday, White House officials acknowledged *that getting the* 300,000 or so refugees back into Kosovo was a *de facto* objective of the campaign.

Although Madeleine Albright, secretary of state, refused to say in an interview at the weekend whether Nato troops might be used to escort refugees back into a potentially hostile environment, she did offer a slightly different formulation of existing Nato policy.

Nato has always said its forces would be used only in a "permissive environment" to keep the peace in Kosovo. *Previously, it had been gen*erally assumed that the "permission" could come only from an agreement by Mr Milosevic as part of a broader peace accord that his forces would not attack them.

But Mrs Albright suggested there was another possibility. "There are other ways to create a permissive environment," she said on NBC News. "What we doing is systematically diminishing or degrading his ability to have that kind of control over the area."

In other words, if the air campaign, *augmented by the* Apache helicopters and land-based missiles, succeeds in killing or removing enough Serbs, Nato troops might start to assist the refugees back in, even if there were still a potentially hostile *environment*.

US officials refuse to elaborate on Mrs Albright's remarks, and there are clear difficulties. How could, for example, the Nato forces occupy a part of Serbia while Mr Milosevic was still in power and still in a state of war?

But her words suggest that, *for all the protestations* that Nato's objectives and strategy have not altered, there is an intensifying debate about how to improve on what so far has been an inauspicious start to Operation Allied Force.

Tirana agrees to lighten refugee strain

By Stefan Wagstyl in Tirana and Robert Wright in Skopje

Albania yesterday confirmed that it would accept 100,000 Kosovo refugees from Mac*edonia after intense pressure* from western governments for Tirana to help defuse the political *crisis* in Skopje.

"Albania is the only country in the Balkans which cannot close its doors to Albanians expelled by Milosevic," said Musa Ulqini, the information minister. "The prime minister has said we *can't cope with all 100,000* here but we can't say no to them." The announcement coincided with pledges from western governments to aid Albania's financial burden. The United Nations High Commissioner for Refugees promised $1.5m a month. It is holding a donors' meeting in Geneva today.

In Skopje, Macedonia's capital, last night some 150 refugees left on an aircraft bound for Turkey, the start of a promised airlift.

A Reuters reporter at Skopje airport said the refugees appeared to have had no *chance to clean up after* spending days in the open following their flight from Kosovo. There appeared to be no representatives from international aid agencies.

The scene looked more like a deportation than a *mercy flight, he said*.

One man tried to flee from the queue going on to the aircraft but was pushed through passenger control by police holding him in an armlock.

The refugees said they had *not been told where they* were going until they were put on the buses to the airport.

Macedonian authorities were loading refugees aboard five more aircraft also bound for Turkey. *Witnesses said the refugees* were in poor condition and had only just been told where they were going.

The government has appeared eager to ensure the refugees do not further swell its more than 600,000-strong ethnic Albanian *population* concentrated in the west of the country, which has a *total population of just 2.2m*.

The UNHCR said it was trying to organise a flight to Norway for 70 of the most seriously ill people but had been unable to obtain a landing permit for the flight.

Albania, Europe's poorest country, is already giving refuge to ethnic Albanians pouring into its mountainous northern region from Kosovo. By late yesterday, the Organisation for Security *and Co-operation in* Europe, which monitors the border, estimated the total was approaching 240,000, including up to 20,000 who arrived yesterday.

The flow shows no sign of abating, with long queues at *the main border road cross*ing road at Morina, near the northern Albanian town of Kukes. Serb forces have also pushed Kosovars into Albania at the remote post of Tropoje, in inhospitable terrain which can only be reached by four-wheel drive vehicles.

However, aid agencies yesterday *appeared to be get*ting to grips with the enormous challenge of caring for the refugees. UNHCR in Albania said the situation was improving thanks to growing supplies of food, tents and medicines.

*For the first time yester*day, aid agencies had 12 helicopters at their disposal, including eight from France. The priority remains to move refugees rapidly from the inaccessible Kukes region to other parts of *Albania. However, due to* lack of transport, some 122,000 remain in Kukes, according to government figures, although aid workers in Kukes say this estimate may be too high.

The outflow of 15,000 a day *from Kukes still fails to keep* pace with the inflow. Buses and minibuses have been provided by the Albanian government. However, many refugees continue in their own vehicles, mostly tractors dragging trailers con*taining extended families* of 20 or more. The smaller machines, some no bigger *than ride-on lawnmowers*, struggle up the steep passes, holding up traffic.

In Macedonia Paula Ghedini of the UNHCR said that *the longer people waited* outside, the more susceptible they became to illness.

"*The weather is extremely* cold. We don't have full access to the area and there's now a possibility of health hazards."

Fears of coup unsettle republic

By Matej Vipotnik in Podgorica

Tens of thousands of Kosovar refugees currently in Montenegro may flee into neighbouring Albania and Bosnia amid fears of a coup and civil war in the tiny Yugoslav republic.

Rumours of an impending coup by the Yugoslav federal army against the government of Milo Djukanovic, Montenegro's president, continued to swirl around Podgorica, the capital, yesterday.

"Everyone – among the internally displaced, refugees from Bosnia and Croatia, our staff, the local population – is feeling uncertain *and insecure as to what is* next," said Robert Breen, head of the United Nations High Commissioner for Refugees office in Podgorica.

According to UNHCR figures, about 32,000 Kosovar refugees have entered Montenegro over the past week, joining the 25,000 who fled to the Yugoslav republic in the *past year. Montenegro now* holds about 90,000 refugees, including ethnic Serbs who fled Croatia and Bosnia in earlier conflicts.

Although greater numbers of refugees have entered Macedonia and Albania, Montenegro has a population of only 650,000. "The concern cf the government is that *the high proportion of inter*nally displaced persons could destabilise the internal situation in Montenegro," Mr Breen added.

"If any one wants to go to Macedonia or Albania, we are helping them to do so. *But the government is not* pushing them to leave Montenegro," said Nikola Camaj, assistant secretary at the Ministry of Information in Podgorica.

While the flow of refugees has slowed to about 2,000 a *day since last week*, an unknown number of people, perhaps 15,000, are fleeing Kosovo's Pec region and may yet try to cross into Montenegro.

There have also been reports by non-governmental *organisations that* Yugoslav army reservists in the north-east of Montenegro have been harassing refugees from Kosovo. "The refugees don't feel secure," Mr Breen said.

It is for this reason and because of the precarious political situation in Montenegro that many refugees may seek to leave the republic for neighbouring Albania and Bosnia.

In Podgorica, government buildings were being guarded by an increased number of heavily armed police, who are loyal to Mr *Djukanovic*.

The commander of the federal army in Montenegro was last week replaced with a general – reported to be a hardliner – from Belgrade by Slobodan Milosevic, Yugoslav president.

Mr Milosevic regards Mr Djukanovic as a thorn in his side, and has been trying to undermine the government ever since Mr Djukanovic was elected to office last year.

The federal army was not visible in force in or around Podgorica yesterday. Residents said the federal army *had dispersed its vehicles* and men in the woods and hills to avoid Nato's airstrikes.

Kosovars tested by Macedonia delays

By Robert Wright

The long wait having to be endured by thousands of Kosovar Albanian refugees – now as much as six days for some – to be processed by the Macedonian authorities is leading to bitterness and frustration.

Despite *Macedonian* government assurances that the border would be re-opened now that there were assurances from third countries to take refugees, the crossing at Jaczince, high in the mountains between the two countries, remained closed yesterday, with a queue of thousands of people waiting *to cross on foot*.

There was no evidence of buses or cars in the queue to leave, something which had previously afforded some shelter to those waiting.

Many of those allowed *through appeared to be med*ical emergencies. One woman gave birth in the first aid tent by the border post.

The increasingly tense wait led to an incident on Sunday when a desperate *man produced* a handgun to try to get medical treatment for his ill wife. Further such occurrences look likely.

The wait has also led to some bitterness among Macedonia's own Albanian population of at least 600,000 people. Alajdinn Demiri, a leading member of the Democratic Prosperity party of *Albanians in Macedonia*, part of the governing coalition, expressed opposition to the government's plans to use Macedonia only as a corridor for transporting refugees.

He *also said that, despite* large amounts of food aid now coming into the country, most aid so far had been provided by the many Albanian families in western Macedonia who were sharing their homes with the refugees.

Macedonia estimated yesterday that it now had as many as 115,000-125,000 Kosovo refugees on its own soil, with 50,000 more waiting in the area between the Kosovo and Macedonian borders, and an estimated 70,000 waiting in Kosovo to cross. The sudden jump in the *number of estimated refu*gees is because the government has started including an estimate of unregistered immigrants.

While the registered figure went up from 57,000 to *69,000, roughly 50,000 more* unregistered immigrants are now being included.

Meanwhile, there are signs that the refugees' experiences may also be having a radicalising effect on the men. Some at the Jaczince *border crossing yesterday* said they were there only to ensure their wives and children reached Macedonia safely. Enver, a father of four children, said his brother had already left Macedonia for Albania, where he intended to join the Kosovo Liberation Army, the KLA. "We will go back and we will *fight to the last person*," he said.

Macedonia's plan to remove the refugees straight from the small, poor country of 2.2m people also looks as if it may face difficulties if *the men are as determined* as they say to return to fight. Hilmi, a father of five children from Vucitrn, near Pristina, the Kosovo capital, said his family would have to go wherever they could find shelter, including dis*tant countries such as* Norway or Germany.

"I want to find a quiet place for my wife and children," he said.

He expressed willingness on his own part to return to fight, however. "If we didn't have the belief that we would go back, we would hang ourselves."

*Hilmi had crossed the bor*der two days before but was waiting to find his parents, who had still not been able to cross.

Athens urges bombing halt on Orthodox Easter

By Kerin Hope and agencies

Greece, a member of Nato, yesterday asked the alliance to stop bombing Yugoslavia next Sunday – Orthodox Easter Sunday, an important religious holiday for Serbs as well as Greeks.

"Easter has quite strong symbolism and [this] would show respect for the sensitivities of the Serbian people," *said George Papan*dreou, foreign minister said.

Greece has traditional ties *with fellow-Orthodox Chris*tian Serbia and opposes the Nato bombings of Yugo*slavia*. But it has provided logistical support to the alliance and has condemned the ethnic cleansing in Kosovo.

However, the Nato strikes have provoked considerable popular support among Greeks for Serbia.

Truck convoys are being organised by Greece's Orthodox church leaders, trade unions and professional organisations to drive food and medical supplies from Athens to Belgrade.

The Socialist government, however, has taken a firmly pro-western position. Greece has set aside its "special relationship" with Serbia, while government officials have distanced themselves from Slobodan Milosevic, the Yugoslav president.

Costas Simitis, the prime *minister*, has said it is "overwhelmingly in the Greek interest" to support Nato as *part of the government's pol*icy on seeking closer integration with its western partners.

Greece is providing support facilities for Awacs aircraft on Nato surveillance missions, although, like the other Balkan countries, it ruled out participating in a military intervention in Yugoslavia. The 12,000-strong Nato force of would-be peacekeepers based in Macedonia is supplied through the port of Thessaloniki. A 2,000-strong contingent of US Marines is based aboard ships cruising in the Aegean Sea.

But as the Nato offensive intensifies, Mr Simitis's advisers are becoming concerned over the widening gap between the government's policies and popular feeling.

The moment Nato air strikes were launched, Greece's church leaders appealed for support for the *Serbs as fellow members of* the Orthodox faith, while implying that the Albanians, *as Moslems, were of less con*cern.

Archbishop Christodoulos, head of the Greek Orthodox church and an influential figure, urged the Greeks to back their "Orthodox brothers in Serbia".

"At the popular level, pro-Serbian *sentiment* is fuelled by the church, which has a strong influence on public opinion," says Thanos Veremis, chairman of Eliamep, a Greek foreign policy think tank.

Greece and Serbia fought on the same side in both Balkan wars earlier this century, against Turkey and Bulgaria.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Bradley P Johnson. Telephone +46 8 791 2345. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

هكذا من الاصل

هكذا من الأصل

NATO AIR STRIKES MILITARY CAMPAIGN STEPPED UP DURING CLEAR WEATHER ■ ATTACKS AGAINST GROUND FORCES STILL IN 'EARLY STAGES' ■ BELGRADE INSISTS LOSSES ARE LIMITED

West intensifies raids against command centres

By Guy Dinmore in Belgrade and Neil Buckley in Brussels

Nato aircraft and missiles early yesterday hit civilian and military targets in Belgrade and eight other urban centres, using clear weather to launch the heaviest raids across Serbia since the air campaign began nearly two weeks ago.

Missiles destroyed the headquarters of the Yugoslav air force and air defence in the centre of Belgrade's western suburb of Zemun on the banks of the Danube. Military sources said the building had been emptied of staff and equipment days earlier and no casualties were reported, but electricity and water to nearby residential areas were cut.

As with the attack on two abandoned interior ministry buildings early on Saturday, the raids were of little military significance. But Nato demonstrated it was ready to risk targeting buildings in the middle of densely populated civilian areas to strike at the heart of the regime of Slobodan Milosevic, Yugoslav president.

Nato said yesterday that improving weather conditions were allowing it to step up its air attacks but admitted that a concerted campaign against forces in the field were "just starting".

But Air Commodore David Wilby of Nato military command said attacks on ground forces were in their early stages. "We are just starting to hit them," he said. "The weather has only just cleared to give us a little more chance of hitting them hard. We are now getting our tactics right, we have ramped up the number of sorties... and [are] taking the fight [against] them very hard."

Despite the intensity of the strikes, Yugoslav government sources said Serb mobile air defence systems suffered only a few losses and were being saved for use against low-level attacks by Nato aircraft on the military in Kosovo province. Belgrade's civilian airport, which is also used by the military, was targeted again and a primary school in the suburb of Zvesdara was damaged in a raid on a barracks.

The Yugoslav army and state media said Nato raids destroyed a metal-processing plant and a tobacco factory in the southern city of Nis and a chemical plant in Lucani. Nato also targeted a bridge over the River Ibar on a road leading north out of Kosovo province and a television relay tower on nearby Mount Kopaonik. A fuel depot of NIS, Serbia's state-owned oil industry, was bombed in the northern town of Sombor in another attack aimed at crippling the army's mobility.

Missiles were also fired at three areas in Kosovo province, including the airport near Pristina, the Stari Trg zinc and lead-mining area of Mitrovica and targets in the south-east town of Gnjilane. The army also said missiles fell close to Gracanica monastery, a shrine revered by Orthodox Serbs that holds the remains of Prince Lazar who fell in battle against the Ottoman Turks in 1389.

Nato said targets hit on Sunday night and yesterday morning included fuel production and storage facilities, air defence installations, army and police garrisons, radio and communications facilities and an airfield around Belgrade, as well as fuel and ammunition stores, an airfield and staging areas in Kosovo.

All aircraft returned intact, according to Nato sources, countering Yugoslav claims that Nato aeroplanes had been shot down. But the alliance said it met more surface-to-air missiles and anti-aircraft fire than previously.

Britain's Defence Chief of Staff General Sir Charles Guthrie said yesterday that six British Tornado warplanes based in Germany, operating for the first time, had hit targets including bridges during the night but gave no details.

Euro-zone may win credibility back under Prodi regime

But the new Commission chief faces a difficult struggle to restore reputation of Brussels and euro, writes **Alan Beattie**

You can see how far the euro has fallen from favour in the markets, one cynic said recently, when people start touting the appointment of an Italian Socialist as its salvation.

The prospect of a new broom, in the shape of Romano Prodi, heading the European Commission may provide a welcome boost to the credibility of the European Union in the political sphere.

But can he drag euro-zone economic policy-making, and its ailing currency, out of the public disgrace into which it has fallen?

The underperformance of the euro has been the talk of the financial markets almost since its launch. While some of the weakness is simply because the US economy has grown more strongly, and the euro-zone more weakly, than the market expected, the other cause is more worrying.

Most financial market observers agree that the euro-zone, despite the conservative central bank at its core, faces an urgent problem of draining credibility. A very public conflict between the European Central Bank and euro-zone politicians has helped the euro to weaken and indicated to some the presence of a large vacuum where a strategic view of the euro-zone's future should be.

"The loss of credibility is a slippery slope," says Michael Wallace, manager of currency analysis at Standard & Poor's MMS. "Once you start down the slope and lose traction, it is hard to crawl back up again."

The market's chief bugbear, Oskar Lafontaine, the former German finance minister, has departed and his resignation provoked cheers on trading room floors in London. In currency terms, nothing in the political life of Mr Lafontaine, the propagator of what Mr Wallace calls "monetary terrorism" towards the ECB, became him so well as the leaving of it. The euro shot up two cents in the half hour after his departure.

But at the end of last week, it was back below the pre-resignation trough, ploughing new lows against the dollar and sterling on the day after Mr Prodi was anointed. Renewed fears of weakness in euro-zone economies and an unsatisfactory deal over the EU budget, regarded by the market as the "lowest common denominator", outweighed the immediate impact of his appointment.

In a sense, Mr Prodi has nothing to lose. With no formal role over the euro, which responds more to signals from the ECB and national finance ministers than from the Commission, he cannot be blamed for renewed falls. But if he manages to restore a degree of respectability to pan-European politics, especially in such critical areas as the budget process, he has the potential to contribute to a euro recovery.

"The market realises that the direct influence of the Commission is small," says Joe Prendergast of Credit Suisse First Boston in London. "So to regain some credibility for the euro, Prodi will have to sort out policy-making in Europe."

This may seem a tall order. It has been a perennial complaint that decision-making within the EU has been fragmented.

Even the omniscient global financial markets sometimes have trouble working out who is in charge. When the European commissioners resigned en masse two weeks ago, the euro dived during the Asian trading session as markets assumed that no-one was minding the shop, only to recover all its losses in Europe, where traders had a clearer idea of the Commission's limited role.

Even the markets sometimes have trouble working out who is in charge

But if Mr Prodi can give the impression the euro-zone is the sort of place where business can be done, the markets may look upon the euro more kindly. He could also smooth over disagreements between the ECB and national governments, where tensions rumble on, most recently over what Wim Duisenberg, ECB president, called the euro-zone's "disappointing" progress towards fiscal consolidation.

Alison Cottrell, chief international economist at Paine Webber, says the Commission has been "ineffectual" at policy co-ordination over the last few years. But getting the policy side right could help a euro recovery, she adds.

With a background in Italian politics, Mr Prodi should know a thing or two about fragmentation and the credibility gap. It could be that the politician who almost miraculously drove Italy to embrace fiscal prudence and economic respactability as the route into the euro is just the man to do the same for the currency itself.

All the president's men, Editorial Comment, Page 13

Economic slowdown puts pressure on the ECB

ECB watch

By Tony Barber in Frankfurt

The euro-zone's continuing economic slowdown, characterised by an absence of strong inflationary pressures and low business confidence, is putting pressure on the European Central Bank to consider a cut in interest rates on Thursday.

Economists debating when the European Central Bank will cut its benchmark refinancing rate of 3 per cent might, if pressed, acknowledge that the supply of their opinions considerably exceeds the demand.

But the arguments for and against a rate cut are delicately poised ahead of Thursday's meeting of the ECB's Governing Council.

The European Commission last week revised its forecast for economic growth in the 11-nation euro-zone this year to 2.2 per cent from 2.6 per cent. Overall growth in the five largest economies – France, Germany, Italy, the Netherlands and Spain, which account for 90 per cent of euro-zone gross domestic product – weakened sharply in the last three months of 1998.

At the same time, the most recent monthly surveys of business conditions in France and Germany showed another fall in confidence in February. As for inflation, the ECB said in its March bulletin there was no large risk that consumer price inflation would exceed its ceiling of 2 per cent in the near future.

Lastly, annual M3 money supply growth, a tool the ECB uses to help determine monetary policy, fell to 5.2 per cent in February from 5.7 per cent in January. However, the annualised three-month moving average stands at 5.1 per cent, above the bank's so-called reference value of 4.5 per cent.

The strongest argument against a rate cut is the euro's 8 per cent decline against the dollar since its launch in January. This weakness has not only in effect eased the ECB's monetary stance, it could also put upward pressure on industrial and consumer prices.

In addition, surveys of the German and Italian manufacturing sectors in March suggest that the weakness of the past six months may at last be ending. "The uncertainty about whether German industry has more or less stabilised, and the fact that both these surveys are not too bad, both point towards a wait-and-see approach, rather than a cut, from the ECB next Thursday," says Norman Williams of Barclays Capital. Even so, most European economists remain confident of a cut of up to 0.25 percentage points, with a majority still anticipating an ECB move next Thursday or on April 22.

The table of euro-zone economic indicators will be published next Tuesday.

LOCKERBIE

Foreign companies set to gain from end of sanctions

By Mark Huband in Cairo

The handover of the two Libyans accused of the Lockerbie bombing cleared the way for the suspension of United Nations sanctions against Tripoli, opening up the possibility for foreign companies to take big stakes in infrastructure and transport projects worth up to $14bn.

The sanctions regime imposed by the UN Security Council on December 1 1993 froze Libyan assets held abroad, with the exception of oil and gas earnings, and banned the sale to Libya of equipment for use in downstream oil and gas sector operations. The sanctions also imposed a ban on flights to and from Libya, and led to the suspension of operations by Libyan Arab Airlines (LLA), the national carrier.

British Aerospace of the UK has been in discussions with Libya aimed at securing a $9.6m deal to refurbish LLA's fleet by providing new aircraft, as well as training pilots and technicians and reconstructing airports. Discussion of post-sanctions business was deemed by the UK government not to have broken the sanctions regime.

Libyan plans to build a new 2,178km railway the length of its coastline and inland are expected to lead to contracts worth $4bn, while the upgrading of port facilities is also a probable area in which foreign companies will play a big role.

European oil companies have accelerated investments in Libya ever since the US government abandoned plans in May 1998 to fine any foreign company investing more than $40m annually in either Libya or Iran.

With European oil companies well established in the country, US companies are now determined to resume their presence in Libya. This was halted in 1986 when US unilateral sanctions, which are still in force, were imposed, forcing five big US companies to abandon up to $2bn worth of fixed assets and forfeit business worth up to $2.1bn a year. Libya has said their assets will be returned to the companies when they resume operations in the country.

Growing European demand for Libyan oil, which currently stands at 1m barrels a day, and gas, has intensified the US companies' determination to return.

"We still have assets there, operated by the Libyan government. And if we were permitted by US law we would go back," said a spokesman for Conoco of the US earlier yesterday. "We don't believe that unilateral sanctions are very effective, and we would take the position that [with the UN sanctions lifted] there shouldn't be a unilateral stance by the US. If they are lifted, we will definitely go back."

Col Muammer Gadaffi, the Libyan leader, last year promised Italian companies they would be given priority in the awarding of post-sanctions contracts. Up to 31 per cent of Italy's oil consumption is accounted for by Libyan supplies of around 490,000 b/d, and the 51 per cent state-owned oil company Eni is now advancing plans to build a $3.8bn gas pipeline between Libya and Italy.

Libya's attraction to the non-hydrocarbons sector will, however, be strongly influenced by its ability to pay for the contracts which are under discussion.

Oil price fluctuations have allowed Libya to limit the impact of sanctions on its economy for much of the past 20 years.

A police officer walks past the nose of Pan Am flight 103 in a Lockerbie field in December 1988 AP

But it now faces 30 per cent unemployment, 25 per cent inflation and the burden of a state sector that employs 700,000 people, or 20 per cent of the population.

"They do need capital because of the fall in the oil price, but we have to weigh the possibility of investment against the attractions of the other markets in the region," says Angus Blair, head of equities for the Middle East and North Africa at ABN Amro. "The Libyans will have their work cut out for them when competing with the others that have already opened up to foreign capital."

Libya's economic growth has been influenced strongly by declining oil prices, with oil revenues in 1999 expected to be down 24 per cent on 1998. Even so, government figures show the hydrocarbons sector contributing 22.9 per cent of GDP in 1997, a 40 per cent drop since 1980.

But oil accounts for 95 per cent of foreign earnings and 50 per cent of government receipts. While the government had based its 1999 budget on an oil price of $18 a barrel, receipts have been down 35 per cent, equivalent to $11.7 a barrel.

Observance of the sanctions regime has meanwhile greatly diminished detailed knowledge of what potential exists outside the main infrastructure and hydrocarbons-related projects that are Libyan priorities.

"Very few companies have been looking at Libya carefully," says a senior US banker. "We will have to go back to looking at what there might be. But it has significant potential for project finance. After Algeria, it's a big one."

Long road to international trial

1988

Dec 21 – Pan Am flight 103 from London to New York blown up over Lockerbie, Scotland, killing 270 people. All 259 aboard the aircraft died, as well as 11 on the ground.

1991

Nov 14 – US and Britain accuse Libyans Abdel Basset Ali Mohamed al-Megrahi and Lamen Khalifa Fhimah of involvement in the bombing. Libya denies any involvement.

1992

Mar 31 – Security Council Resolution 748 tells Libya to surrender suspects by April 15 or face worldwide ban on air travel and arms sales, and restriction on diplomatic presence.

Apr 15 – UN air and arms embargo takes effect. The sanctions were to be reviewed every 120 days.

1994

Jan 22 – Libyan leader Muammer Gadaffi says a trial in The Hague for the two suspects could resolve dispute.

1995

Mar 23 – FBI offers record $4m reward for information leading to the arrest of the two Libyan suspects.

1997

Jun 11 – Libya says in a letter to the UN secretary-general that sanctions had caused losses to Libya of $23.5bn.

1998

Feb 27 – International Court of Justice rules it has jurisdiction to hear the Libyan complaint, in a move hailed by Libyans as a victory for them.

Aug 24 – Britain and US agree two suspects can be tried in The Hague under Scottish law.

Aug 27 – UN Security Council unanimously endorses a US-British plan for a trial in the Netherlands.

Dec 21 – Gadaffi calls for international trial

1999

Jan 2 – Tony Blair, British prime minister, says he will ask South African President Nelson Mandela for Lockerbie help during a South African visit.

Feb 26 – Britain and US say Libya has 30 days to hand over suspects. Libya says it cannot accept the deadline.

Mar 19 – Mandela, with Gadaffi at his side, announces in Tripoli that the two suspects will be handed over by April 6. The agreement says they will be tried in the Netherlands by a Scottish court.

Apr 5 – Suspects handed over, sanctions suspended.

Clues overlooked in rush to blame Syria and Iran

Political imperatives and false trails clouded the investigation before the focus switched to Libya, reports **Harvey Morris**

Investigators of the Lockerbie bombing spent a year and a half pursuing the trail of a Palestinian guerrilla connection before concluding, in mid-1990, that the evidence pointed to Libya.

Among the clues overlooked during this time was a fax sent to Tripoli two months after the bombing by the head of the Libyan interests section at the Saudi Arabian embassy in London, Salaheddin Msallem.

It read as follows: "Our revenge has been taken for our martyrs of American aggression by the slaughter of the American and British imperialists. The American plane which crashed included some of the savage American forces departing from Frankfurt to New York, via London. In my name, and that of my fellows, we congratulate the heroes who did this act."

In the early months of the inquiry, all the circumstantial evidence appeared to point to the bombers being linked to the Popular Front for the Liberation of Palestine-General Command, headed by Ahmed Jebril, a former Syrian army officer.

His name was first put forward as a suspect within 24 hours of the airliner going down. In the process, Syria and Iran were fingered as likely patrons of the attack. As late as September 1989, Americans close to the investigation said Federal Bureau of Investigation inquiries pointed "unerringly" to an Iranian connection to the bombing.

The Jebril connection was based on the outcome of a West German Bundeskriminalamt operation, two months before Lockerbie, in which Mr Jebril's West German cell was rounded up in possession of weapons and explosives apparently being stockpiled for attacks on western airlines. The West German agents were acting on a tip-off from Mossad, the Israeli intelligence agency.

Astonishingly, all but two of 16 suspects were released and the unlikely claim was that they went ahead with the Lockerbie plot even after their cover had been broken.

The political imperative of establishing an Iranian-Syrian connection appears to have clouded the inquiry and led to investigators overlooking clues to Libyan involvement.

Various false trails – other theories had it that the renegade Palestinian Abu Nidal was involved, or that it involved a failed CIA drugs sting – also obscured the fact that Libya had a motive for the bombing. Tripoli was bombed in 1986 by US aircraft flying out of the UK. Among the victims was Col Muammer Gadaffi's adopted daughter.

As attention finally switched to Libya early in 1990, investigators discovered in the wreckage a fragment of circuit board identical to one seized from two Libyan secret agents arrested at Dakar airport, Senegal, 10 months before Lockerbie. This tied in with new evidence that less than a month before the bombing a Libyan had walked into a shop in Malta and bought a variety of clothing, tattered remnants of which were later found in the Lockerbie wreckage.

Since details of the evidence pointing to Libya first emerged in a British newspaper in December 1990, western investigators have not swerved from their allegation that Libya, or at least Libyan nationals, were responsible for the terrorist attack.

If you would like to advertise, or require any further information, please contact:
Sherie Donovan
Tel: 0171-873-4928 Fax: 0171-873-4296

هكذا من الاصل

هكذا من الأصل

FISCAL STIMULUS FURTHER LARGE BOND ISSUES SEEN AS LIKELY TO ADD TO STRAINS ON STATE FINANCES

Poor revenues hit China's growth hopes

By James Kynge in Beijing

Acute strains on China's central government revenues have compromised Beijing's ability to extend a fiscal stimulus programme – the main engine of economic growth – beyond this year, according to a leading budget expert.

"China's active fiscal policy must be a short-term measure. It is not sustainable," said Liu Rongcang, a budget expert at one of China's top government think-tanks, the Chinese Academy of Social Sciences (CASS).

"The longest it can be carried on for is until the end of this year. It can't be pursued further than that without significant risks," said Mr Liu, who is director of the institute of finance and trade economics at CASS.

Mr Liu's judgment challenges the conventional wisdom that Beijing enjoys considerable fiscal latitude and can continue its "new deal" infrastructure spending programme for several years to come.

Such reasoning is often justified by the fact that China's budget revenue is only 1.8 per cent of gross domestic product and total debts amount to just less than 10 per cent of gross domestic product – both modest by international standards.

But such yardsticks overlook more telling measurements of China's fiscal health. Total central finance revenues last year were RMB548.3bn ($66.2bn), more than half of which – or RMB331.1bn – was derived from debt issues. A total of RMB235.1bn, or 42.8 per cent of total central finance revenues, was spent in servicing existing domestic and foreign debt.

These figures, which are high by international standards, work to constrain China's ability to issue more bonds such as the RMB100bn special infrastructure bond issue launched last August to spur economic growth.

But it is the country's feeble tax revenues that make the situation critical. China's central government revenues amounted last year to just 12 per cent of gross domestic product, a level reminiscent of Russia. "The level of budget revenue relative to GDP means that the government's ability to conduct macro-economic policy is reduced," said Mr Liu.

Further large bond issues would add strain to state finances, and could start to affect China's sovereign credit rating. "The fiscal situation is at the core of our worries. We would be very concerned if China was to issue another big infrastructure bond this year," said one analyst at an international institution.

The fiscal problems have important implications. China's official statistics claim that 4.3 percentage points of last year's 7.8 per cent economic growth was derived from fixed asset investment driven by the fiscal spending package. If China feels unable to repeat such a stimulus this year, headline growth could suffer.

All this has led to a search for alternatives. One proposal being studied by the finance ministry would permit local authorities for the first time to issue bonds, to be be serviced from local government tax revenues.

But two main factors are believed to be stalling approval for this plan. First, it would necessitate a shift of power from central to local authorities. Second, money could be wasted by local officials siphoning off the proceeds of bond issues.

Indian coalition under threat

By Amy Louise Kazmin in New Delhi

India's ruling Bharatiya Janata party-led coalition yesterday edged towards collapse when its important but temperamental southern ally decided that two ministers from the party should resign from the government's council of ministers.

After an evening meeting with her loyalists, J. Jayalalitha, the former film star who heads the Tamil Nadu-based AIADMK party, decided that Thambi Durai, law minister, and M.R. Janarthanam, the minister of personnel, would submit their resignations today. Ms Jayalalitha said she would be in New Delhi from April 12 for a series of meetings with political leaders before deciding whether to withdraw her party's support for the government.

The announcement was the latest move in a mounting confrontation between the BJP and Ms Jayalalitha over the defence minister, George Fernandes. Over the weekend, Ms Jayalalitha, who commands the loyalty of 18 parliamentarians, said her party's continued support for the BJP government would depend on the transfer of Mr Fernandes to a less sensitive ministry, and the reinstatement of former navy chief Admiral Vishnu H. Bhagwat, sacked by Mr Fernandes.

The BJP rejected Mr Jayalalitha's demands after a cabinet meeting yesterday morning. BJP spokesman, Pramod Mahajan, insisted the coalition would be able to survive a test of strength if necessary, when Parliament resumes its budget session on April 15.

Mr Jayalalitha, who faces a variety of corruption charges, has threatened to leave the BJP-led coalition on several other occasions.

Cardoso returns to the public eye as confidence seeps back to the Brazilian economy

Geoff Dyer *finds the president has put the dark days of January's currency crisis behind him and is planning useful reforms*

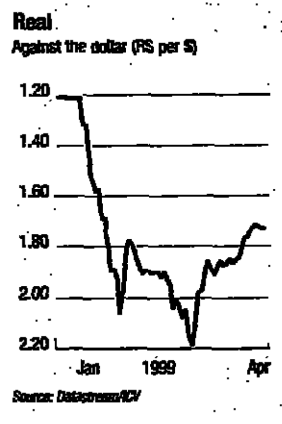
Few heads of state in the world would casually mention the name of Jurgen Habermas, the German philosopher, in normal conversation. Yet such elevated name-dropping says much about the state of mind of Fernando Henrique Cardoso, Brazils professor-turned-president.

Since Brazil was plunged into a currency crisis in January, Mr Cardoso has been almost conspicuous by his absence. His touch seemed to be deserting him and with the outlook so uncertain, he preferred to say little. Some allies even began to fear that he had lost his nerve.

In personal terms, at least, Mr Cardoso has now put the dark days of January behind him. For Cardoso-watchers, the intellectual brio behind the Habermas reference is a signal that the one-time sociologist has refound his bearings.

Mr Cardoso has come out of his shell just as confidence is beginning to seep back into the Brazilian economy. The inflationary impact of the devaluation looks as if it will be less than expected, prompting a recent appreciation in the currency.

Meanwhile, Congress has completed voting through a series of temporary tax increases and stalled investment projects which should allow the government to meet the stiff budget target for this year agreed with the International Monetary Fund. The instruments are now in the hands of the executive branch, said Mr Cardoso, in an interview last week at the Planalto Palace in Brasília.



Granted, the surge of optimism in Brazil could prove to be short-lived. But given that the biggest dangers facing Brazil were in the short-term – that the devaluation would quickly spin out of control, sparking high inflation and domestic debt problems – even a temporary rebound is no small matter.

Before long, though, attention will start to turn to the long-term fiscal outlook, with investors asking what will replace the emergency cuts that have been made. Permanent solutions need to be put in place. Mr Cardoso now admits this was the biggest mistake of his first term.

"We should have been more severe about controlling federal expenses and in encouraging the governors to do the same," he says.

A huge array of fiscal reform proposals stand in front of Mr Cardoso. There is a plan to shake-up the tax system, which places an excessive burden on a small part of the productive economy and which does not clearly establish the responsibilities of different levels of government. Another reform, the fiscal responsibility law, would punish politicians who exceed their spending limits.

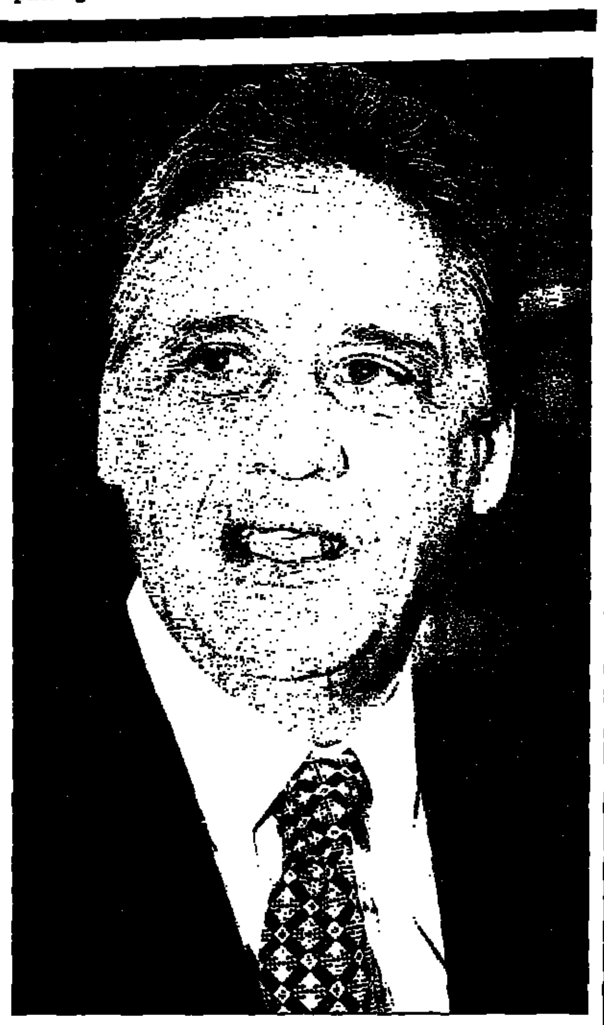
The government wants this year to renew a law which allows it to retain some of the revenues that are supposed to be passed on to the states and it might decide to push for a new round of cuts to the pension system.

Competing for space with these proposals are a plan to reform the political system, introducing parliamentary districts and greater party discipline, and a blue-print for improving the efficiency and transparency of the judicial system.

Mr Cardoso says that his main priority is the fiscal responsibility law, which he thinks stands a good chance of being approved. "Some modest additional changes will be made to the pension system as well," he says. Tax reform, which has been on the agenda since 1995, is a more complicated matter, however. "This year we will first start a discussion on the subject and, maybe, approve a few small parts of the reform."

Given the considerable risks still facing Brazil, this might seem like an unambitious agenda for the more sceptical observer. Moreover, Mr Cardoso has only until the middle of next year to push reforms before political life is emasculated by first municipal elections and then positioning for the 2002 presidential poll.

It also reflects the political realities of Mr Cardosos position. With recession biting, his poll rating is falling sharply, which limits Mr Cardosos ability to exert influence over the fractious five-party coalition that backs him in Congress.


Cardoso: priority is fiscal responsibility law — Bernadete Lou

Some analysts expect him to keep a low profile until well into the second half of the year, when the government hopes that economic activity will be rising again.

Moreover, all the governments reform plans face stiff opposition, even the fiscal responsibility law, which does not require a lengthy change in the constitution. Local politicians, unhappy about facing fines for mismanagement of funds, are likely to press friendly members of Congress to dilute its provisions.

Critics say Mr Cardoso is not assertive enough in pushing his reform plans, relying too much on negotiation and consensus-building. He counters that this ignores the complex nature of the Brazilian politics. The important thing is to have a historical understanding of how the political and social system works. Previous governments that tried to impose their ideas always failed, he says, even under the military dictatorship.

Mr Cardoso must hope that investors do not mistake his patient finessing of change for complacency. If markets are not convinced that long-term solutions to Brazils fiscal problems are being implemented, the country could soon find itself back in a hole.

NEWS DIGEST

POLITICKING IN NAZARETH

Likud accused of stoking Moslem-Christian enmity

Nazareth city officials yesterday accused Israel's governing Likud and Jewish religious parties of stirring up tensions between local Christian and Moslem communities following a day of riots and demonstrations that left 27 injured and Christian shops ransacked.

The riots ended yesterday morning after government officials and Israeli Palestinian Knesset members forged an accord between the communities. At issue is land in front of the Church of the Annunciation in Israel's largest Palestinian city. The municipality wants to build a square to accommodate pilgrims during millennium celebrations. Moslem officials claim the land is property of the Waqf, the Moslem religious trust. The city claims it was handed the land by the Israeli authorities for the millennium.

Moderate Christian and Moslem officials say the city has become a political football for next month's elections, with Likud as well as Shas and United Torah Judaism, the ultra-Orthodox parties in Benjamin Netanyahu's coalition, promising both communities different compromises. **Judy Dempsey, Jerusalem**

OPPOSITION FROM US

Elf signs Iran gas deal

Elf Aquitaine of France and Bow Valley Energy of Canada have signed a contract to develop an Iranian offshore oilfield, Elf's second deal with Iran in just over a month. Its subsidiary Elf Petroleum Iran has an 85 per cent interest and will be the operator for the Balal oil project, estimated to cost $300m. The US has disapproved of European oil investments in Iran and Total nearly sparked a diplomatic row in 1997 when it announced a $2bn gas deal with Iran. In Total's case, the Clinton administration finally issued a waiver for the deal.

A French foreign ministry spokesman said France did not recognise the legality of the extra-territorial reach of US legislation. Elf said the Balal field lay 100km south of Lavan Island and had recoverable reserves put at 100m barrels of good quality oil.

On March 1, Elf and Agip, a subsidiary of Italy's ENI signed a $1bn deal to redevelop Iran's offshore Doroud oilfield in a similar buy-back contract. **Reuter, Paris**

FRENCH INDUSTRIALIST

Ambroise Roux dies

Ambroise Roux, the grand old man of French capitalism, has died at the age of 77. In his 12 years as chairman of Compagnie Générale d'Electricité, the engineering and telecommunications conglomerate which became Alcatel-Alsthom, from 1970-82, Mr Roux built a reputation as a supreme string-puller at the top of the French establishment. Leaving his post when CGE was nationalised by the new leftwing government, he remained an influential figure at the head of the Association Française des Entreprises Privées, described by Le Monde as the most effective French capitalist lobby since the Liberation. President Jacques Chirac yesterday described Mr Roux as "one of the great figures of French capitalism". **David Owen, Paris**

NIGERIAN APPEAL COURT

Election result confirmed

Nigeria's appeal court yesterday upheld Olusegun Obasanjo's victory in February's presidential poll, allaying fears that a bid by his defeated rival, Olu Falae, to overturn the result would upset the transition to civilian rule. At the election tribunal, Chief Falae charged that rigging was on such a scale as to have tipped the result in Gen Obasanjo's favour, despite a margin between them of more than 7m votes.

At the time, both international and local observers noted widespread irregularities but most concluded that both sides were to blame. Chief Falae's determination to go through with the case prompted opposition from Nigerians, including some of his own political allies, who feared it could provide grounds for a prolongation of military rule. **William Wallis, Lagos**

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1989	1.0	4.2	8.99	8.50	3.43
1990	3.6	5.5	8.06	8.55	3.80
1991	6.0	3.7	5.87	7.86	3.21
1992	12.5	1.9	3.75	7.00	2.95
1993	11.6	1.1	3.22	5.86	2.78
1994	6.2	1.4	4.67	7.08	2.86
1995	–0.2	2.1	5.93	6.57	2.61
1996	–3.2	4.8	5.41	6.43	2.15
1997	–3.3	5.0	5.59	6.34	1.73
1998	0.9	7.4	5.38	5.26	1.46
2nd qtr.1998	1.3	7.2	5.50	5.59	1.42
3rd qtr.1998	0.6	7.3	5.45	5.19	1.47
4th qtr.1998	1.8	8.5	5.10	4.66	1.42
1st qtr.1999			4.83	5.00	1.27
April 1998	1.4	7.0	5.48	5.63	1.41
May	1.4	7.2	5.51	5.66	1.42
June	1.1	7.3	5.51	5.49	1.42
July	0.7	7.3	5.50	5.45	1.37
August	0.0	7.1	5.60	5.33	1.48
September	0.9	7.6	5.35	4.80	1.58
October	1.7	8.2	5.10	4.52	1.56
November	2.0	8.5	5.15	4.84	1.39
December	1.7	8.8	5.07	4.65	1.33
January 1999	1.6	8.7	4.82	4.71	1.27
February	1.5	8.4	4.82	5.00	1.28
March			4.84	5.22	1.26

JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1989	4.1	10.6	5.31	5.16	0.48
1990	2.6	6.5	7.62	6.90	0.65
1991	5.2	2.0	7.21	6.40	0.75
1992	4.5	–0.4	3.78	5.24	1.00
1993	3.0	1.4	2.95	4.18	0.87
1994	5.4	2.9	2.23	4.20	0.78
1995	8.2	3.2	1.22	3.39	0.86
1996	13.7	2.9	0.58	3.03	0.75
1997	8.6	3.8	0.59	2.34	0.87
1998	8.1	3.9	0.72	1.49	1.01
2nd qtr.1998	7.9	3.4	0.64	1.63	0.99
3rd qtr.1998	7.6	3.6	0.68	1.39	1.03
4th qtr.1998	7.3	3.9	0.61	1.09	1.07
1st qtr.1999			0.48	1.89	1.00
April 1998	8.1	3.6	0.71	1.62	0.98
May	8.0	3.9	0.62	1.37	0.99
June	7.4	3.4	0.60	1.28	1.01
July	8.1	3.5	0.74	1.42	0.95
August	7.9	3.8	0.75	1.47	1.02
September	7.6	3.8	0.55	1.05	1.11
October	8.6	3.9	0.58	0.86	1.16
November	7.7	4.3	0.62	0.92	1.02
December	5.7	3.9	0.62	1.47	1.03
January 1999	5.1	3.6	0.67	1.86	1.05
February	5.8	3.5	0.52	2.03	1.03
March			0.24	1.77	0.93

GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1989	6.3	5.7	7.12	6.90	2.22
1990	4.5	4.5	8.49	8.66	2.11
1991	5.1	5.6	9.25	8.42	2.38
1992	7.0	8.1	9.52	7.80	2.45
1993	9.4	7.8	7.28	6.47	2.11
1994	9.6	9.0	5.36	6.86	1.77
1995	3.7	0.6	4.53	6.82	2.00
1996	10.4	7.5	3.31	6.21	1.81
1997	8.4	6.2	3.32	5.65	1.45
1998	6.6	4.4	3.54	4.56	1.31
2nd qtr.1998	6.3	4.0	3.61	4.89	1.22
3rd qtr.1998	6.0	4.2	3.51	4.39	1.25
4th qtr.1998	9.0	5.6	3.52	4.00	1.44
1st qtr.1999			3.09	3.86	1.45
April 1998	7.2	4.0	3.63	4.90	1.24
May	5.6	3.7	3.63	4.96	1.23
June	6.1	4.3	3.56	4.80	1.19
July	5.0	4.2	3.54	4.69	1.14
August	5.9	4.0	3.50	4.42	1.22
September	7.2	4.5	3.49	4.04	1.38
October	8.1	5.0	3.57	4.03	1.53
November	8.0	5.5	3.63	4.10	1.38
December	11.1	6.2	3.37	3.87	1.39
January 1999			3.14	3.72	1.31
February			3.09	3.83	1.38
March			3.01	4.02	1.66

FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1989	7.6	10.0	9.40	8.79	2.88
1990	3.8	9.3	10.32	9.92	3.19
1991	–4.7	2.3	9.62	9.03	3.58
1992	–0.3	5.4	10.36	8.57	3.55
1993	1.1	–3.0	8.55	6.75	3.21
1994	2.5	1.7	5.84	7.21	2.99
1995	7.2	4.4	6.60	7.53	3.17
1996	0.6	–3.7	3.94	6.32	3.05
1997	6.4	1.7	3.46	5.56	2.58
1998	3.0	2.7	3.56	4.64	2.20
2nd qtr.1998	9.9	4.7	3.60	4.95	1.98
3rd qtr.1998	8.7	4.8	3.55	4.52	2.18
4th qtr.1998	3.0	2.7	3.49	4.10	2.40
1st qtr.1999			3.09	3.98	2.07
April 1998	10.7	4.9	3.63	4.95	2.04
May	10.6	4.8	3.61	5.02	1.98
June	9.9	4.7	3.57	4.88	1.93
July	8.9	4.8	3.56	4.79	1.94
August	7.6	4.7	3.56	4.54	2.18
September	8.7	4.8	3.54	4.22	2.44
October	8.2	5.1	3.55	4.19	2.61
November	5.6	3.5	3.58	4.22	2.31
December	3.0	2.7	3.33	3.91	2.26
January 1999			3.14	3.79	2.11
February			3.09	3.92	2.09
March			3.04	4.13	2.02

ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1989	7.2	5.5	12.42	11.61	2.46
1990	9.2	7.0	11.98	11.87	2.84
1991	7.3	5.9	11.83	13.20	3.45
1992	6.9	3.1	13.86	13.29	3.63
1993	4.7	2.8	10.22	11.23	2.35
1994	6.6	3.6	8.48	10.56	1.67
1995	0.4	–1.8	10.38	12.22	1.72
1996	1.0	0.2	8.75	9.43	2.19
1997	8.8	9.7	6.83	6.83	1.91
1998	10.5	7.6	4.95	4.90	1.37
2nd qtr.1998	13.2	10.4	5.11	5.16	1.23
3rd qtr.1998	10.3	6.9	4.91	4.77	1.42
4th qtr.1998	9.8	4.3	3.92	4.32	1.48
1st qtr.1999			3.11	4.09	1.38
April 1998	12.9	10.7	5.18	5.16	1.13
May	12.6	10.1	5.07	5.22	1.26
June	14.1	10.5	5.10	5.10	1.31
July	11.6	8.1	4.85	4.98	1.28
August	9.7	6.4	4.93	4.80	1.36
September	9.6	6.1	4.96	4.53	1.61
October	8.9	5.3	4.49	4.49	1.69
November	9.2	5.3	3.93	4.43	1.42
December	10.5	2.3	3.35	4.04	1.35
January 1999			3.16	3.93	1.26
February			3.11	4.06	1.41
March			3.07	4.28	1.47

UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1989	5.9	17.4	13.96	10.11	4.36
1990	5.3	15.9	14.82	11.56	5.07
1991	2.4	7.9	11.58	10.08	4.97
1992	2.4	5.1	9.74	9.09	4.91
1993	4.9	3.5	5.99	7.40	4.01
1994	6.4	5.1	5.57	8.01	3.94
1995	5.9	7.3	6.77	8.16	4.15
1996	6.7	10.0	6.11	7.79	4.08
1997	6.2	11.2	6.94	7.02	3.69
1998	6.1	9.7	7.41	5.52	3.03
2nd qtr.1998	6.2	9.9	7.57	5.80	2.85
3rd qtr.1998	6.0	9.5	7.67	5.50	3.08
4th qtr.1998	5.4	8.7	6.87	4.79	3.13
1st qtr.1999			5.59	4.44	2.79
April 1998	6.7	10.7	7.51	5.80	2.82
May	6.3	9.7	7.48	5.84	2.84
June	5.5	9.5	7.72	5.77	2.90
July	5.8	10.2	7.80	5.84	2.87
August	6.2	9.1	7.74	5.54	3.10
September	5.9	9.2	7.47	5.10	3.29
October	5.5	9.2	7.20	4.98	3.34
November	4.8	8.5	6.97	4.91	3.05
December	5.8	8.3	6.44	4.49	3.00
January 1999	5.6	7.7	5.89	4.26	2.88
February	5.2	7.4	5.51	4.40	2.81
March			5.36	4.65	2.68

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yields: period averages of the gross dividend yield on the relevant FT-A world index.

Help with 'window dressing' may cost Tokyo's foreign banks dear

By Gillian Tett in Tokyo

In recent years the arrival of spring has traditionally left western bankers in Tokyo nursing an embarrassing secret.

Every March, Japanese banks have scrambled to flatter their fiscal year results through a variety of accounting tricks. And equally regularly, western analysts have denounced this as "window dressing".

But at the same time, some western banks have also secretly helped Japanese clients with this charade by providing complex financial services. And though the scale of this business is unknown, it has been highly profitable for some banks. "It's been lucrative," admits one European banker. "The Japanese banks have been desperate, and they cannot do it for each other – so they turned to us."

This year, however, the charade has a dangerous edge. For as Japan presses ahead with banking reform, its regulators are scrambling to tighten compliance standards. And this is not only prompting criticism of Japanese banks' "window dressing" practices, but triggering scrutiny into the role played by their western counterparties.

One sign of this has been a surprise inspection into the Tokyo operations of Credit Suisse group which was started by the Financial Supervisory Agency, Japan's banking watchdog, in January.

The FSA has not publicly discussed the inspection. And CS is maintaining a stony silence. But FSA is trying to ascertain whether CS helped Japanese banks such as Long Term Credit Bank to hide losses in recent years. And the FSA is treating the case seriously: it has assigned a quarter of its inspectors to the matter, made extensive use of material it collected in a separate inspection into 19 Japanese banks last summer, and now has taken the investigation overseas. As Hideichiro Hamanaka, deputy head of the FSA says: "I understand that CSFB [Credit Suise First Boston] is now co-operating with our inspectors in Hong Kong, London and New York."

Western brokers have temporarily bought shares from Japanese banks to allow their clients to record a profit

The FSA has not produced any public evidence of wrongdoing. But the inspection has caused unease among CS's rivals. For what makes the FSA inspection potentially so damaging is that the concept of a "legal" trade has often been ill-defined in Japan. Consequently, many western banks could have potentially fallen foul of the law in recent years – if the FSA used a narrow definition of the law.

The essential problem is that "window dressing" comes in many forms. At one of the spectrum, some Japanese institutions have engaged in tobashi – or the illegal practice of shuffling losses into secret accounts. But Japanese institutions have also used completely legal tricks to flatter their accounts, such as temporarily selling high risk assets to remove them from the balance sheet.

Between these two extremes lie a multitude of grey trades. Japanese brokers, for example, have recently been trading bonds at artificial prices to help clients conceal losses. Western brokers have temporarily bought shares from Japanese banks to allow their Japanese clients to record a profit on their equity portfolios – before selling them back to the same bank. Meanwhile, western investment banks have also sold derivatives which can disguise losses. As one manager in a large Japanese city bank says: "Every year [western banks] would come to us and say 'We've got these derivatives which can help you hide losses – do you want some?'"

Some bankers hope that this ambiguity may make it hard for the FSA to prove any wrongdoing, unless the Japanese banks can be persuaded to testify against their western counterparties. But others argue that it could also make any western bank a target, particularly if politicians wanted to retaliate against the foreign banks which are now winning a growing market share in Japan.

The FSA, for its part, denies any political motive. "We are treating western and Japanese banks equally," says Mr Hamanaka. But most western bankers are scrambling to clean up their act. Some claim that the level of "window dressing" has dropped sharply this year, partly because Japanese banks are in a stronger position after receiving an injection of public funds. As one US banker says: "In the last two years we had good business selling credit risk derivatives to Japanese banks to help improve their capital adequacy ratios. But that dried up this year – there is no demand."

Whether this represents a trend will not become clear until the banks' 1998 fiscal results are published next month. But if "window dressing" is really disappearing, it will delight some outside observers. As Christopher Wells, head of the financial services committee at the American Chamber of Commerce says: "Creating transparency is essential for Japanese markets. We welcome steps the FSA takes to promote this."

CHILDCARE PARENTS WILL BE ABLE TO ACCESS OFFICIAL DATA TO CHECK IF CANDIDATES HAVE CRIMINAL RECORDS OR ARE OTHERWISE DEEMED UNSUITABLE

Guidelines on hiring nannies to be unveiled

By Rosemary Bennett in London

The UK government will today unveil guidelines for parents who employ nannies or au pairs in their homes to look after children.

It has rejected calls from professional childcare groups for a register of nannies because it says the large number who come to work in the UK from overseas would make this unworkable. It also wants to send a signal to parents that they are responsible for whom they employ.

Under the guidelines, parents will be informed they can use the new Criminal Records Bureau to vet potential employees. They can also access lists of people deemed unsuitable to work with children. The lists have been drawn up by the Department of Health and the Department for Education and Employment.

The guidelines will be distributed to doctors' surgeries, libraries and supermarkets.

"The new guidelines will take parents through the various steps they should go through before hiring a nanny and let them know what sort of records they can check. But in the end it is their responsibility," said a junior minister.

Government officials said there was concern that a national register would raise the question of qualifications and drive away competent childcarers with no formal training.

The guidelines are the latest in a series of government initiatives to improve the supply and quality of childcare. This is crucial if other government programmes, such as the welfare-to-work scheme for the long-term unemployed, are to succeed.

Ministers are drawing up a code of conduct for nanny agencies. From the autumn, agencies that sign up to the code will get a government seal of approval, or "kitemark".

The code will cover carrying out police checks on nannies and a guarantee that references have been carefully followed up.

The government has also issued local authorities with new guidelines for the registration of childminders.

Loopholes in the current system have been highlighted over the past year following high-profile court cases dealing with the killing and neglect of children.

These included the case of an Australian nanny found guilty of killing a baby in her care in London, and a childminder who shook a baby in her care to death and who was jailed for life after it was disclosed she had lied about her criminal convictions and her past as a prostitute to register on a local authority childcare list.

Estimates of the number of nannies and au pairs in British homes vary, but the government says it could be as many as 100,000.

Business finds euro does sterling work as a company name

Owners may not favour joining Emu but many believe the new currency at least sounds good. **Melanie Carroll** reports

Rajesh Khera has no doubts that the euro will be good for his business – at least in name.

When the businessman took over a struggling restaurant in Northampton, central England, earlier this month, the first thing he did was change its name to Euro Asia in an attempt to boost trade.

In doing so, Mr Khera's restaurant joined a rapidly growing club of more than 2,000 UK businesses that feel there is some competitive advantage to be gained through association with Europe's fledgling single currency by name at least, if nothing more.

Ten times as many UK businesses associate themselves with Europe by name than with the UK, which features in fewer than 300 company names around the country, according to the Scoot national business directory.

Companies flaunting their "euro" credentials range from the predictable – such as the Euro Currency Exchange or Euro Gites – to the unlikely: Euro Jab, based in Manchester, northern England, is an importer of Japanese-made machinery.

However, the inspiration for these names pre-dates the euro itself. Many owners named their businesses long before the single currency looked like becoming reality.

In fact, a significant number of businesspeople who chose to incorporate the word euro in their company name are firmly opposed to the currency and closer relations with continental Europe. For them, the word simply evokes modernity, a nod to internationalism they hope will encourage potential clients.

The Euro Asia restaurant did well out of its association for 12 years, until new owners changed its name to the Faad Thali House last year. Business dried up soon afterwards.

Mr Khera, who took over earlier this month, has reverted to the old name to win back customers.

But he is among those who do not favour closer ties with the rest of Europe. "I don't think the UK should join economic and monetary union. I'm happy with the pound. My struggle is to run this business, I'm putting all my effort into that."

Christina Hood, proprietor of Eurofab, a metals fabricator based in Cornwall, west England, says: "Dealing with Europe is an absolute nightmare. In anything to do with Europe, we always end up the poor relations. The French and Germans are too powerful.

"We decided on the name after we saw the European Union's stars advertised on a pen," says Ms Hood. "We thought we had something new, and we were gutted when we found out there were so many others."

By contrast, Robert Brown, the owner of London-based Euro-Live, an internet design business, believes the UK would benefit from closer relations with the rest of Europe. "People in this country do not have a very Euro-centric view of things, not as much as they should do."

Mr Brown believes the name he has adopted helps counteract the strong US presence on the internet and to tackle barriers within Europe.

"People in the UK using the web are shut off from Europe because they're not using the languages, so they imagine nothing is happening in Europe. That's particularly the case with French and German. The French are not legally permitted to use English on their web sites."

John Williamson, partner at design consultancy Wolf Olins, says the word "euro" has acquired enormous cultural significance in recent years. "We're seeing a transition now from a place to a culture, people are starting to use 'euro' more. It's aspirational, not just geographically descriptive."

Few of these Euro-fanatics are convinced they would benefit from membership of European monetary union, but believe the UK will probably join. "Most currencies are historic and intricate, particularly the US with its eagle, and have some sense of national character. But Europe itself is still being formed, there's no integrity yet, and so the euro feels artificial," says Mr Williamson.

Rajesh Khera: changed the name of his restaurant to Euro Asia to boost trade, but does not support closer ties with Europe Pete Norton

Dissident Tories to back out of crucial contest

By George Parker, Political Correspondent

William Hague, leader of the opposition Conservatives, was given a boost yesterday when it emerged that pro-European rebels from his party are almost certain not to fight a crucial by-election in eastern England.

The breakaway Pro-European Conservative party had threatened to field a candidate, sparking a battle between rival Conservative wings. But yesterday, Pro-European Tory leaders said they did not want to be seen as a "wrecking party", and were unlikely to put up a candidate.

The governing Labour party is defending a majority of 3,000 in Newark, where Fiona Jones, the sitting MP, has been forced out of her seat after a conviction for electoral expenses fraud.

The by-election will be seen as a test of Mr Hague's credibility, because the Conservatives would be expected to win back a seat that is traditionally Tory.

The Pro-European Tories, founded by two deselected Conservative members of the European Parliament, could have split the party's vote in the by-election and increased the likelihood of a Labour victory.

The rebel party said it would have fought the seat if the Newark Conservatives had selected a strongly Eurosceptic candidate, such as Michael Portillo. But Richard Alexander, the chosen candidate and former MP, is deemed to have no track record as a champion of the anti-European cause.

Brendan Donnelly, joint founder of the party, said: "Our current intention is we are unlikely to stand a candidate." The new party is thought eager to avoid the probability of a heavy defeat on May 6, one likely date for the by-election, just a month ahead of the European elections on June 10.

هكذا من الاصل

هكذا من الأصل

PEOPLE ON THE MOVE

Grafstein leaves CSFB to manage new investment fund

Laurence Grafstein is leaving his post as head of global telecommunications at Credit Suisse First Boston to help run a new $1bn telecom investment fund.

Grafstein will manage the fund, with **Mohamed Amersi**, a mergers and acquisition specialist at Jones, Day, Reavis & Pogue, the law firm, and **Michael Yagemann**, formerly head of media and telecoms at NationsBank Montgomery.

The fund is backed by Spain's Telefonica telecommunications group and Onex, a Canadian holding company that has experience of private equity investments. It will invest more than $1bn in unlisted telecommunications and technology ventures.

Grafstein, one of the Wall Street's leading telecom bankers, said: "This is an extraordinary moment in the market for growth investment opportunities and the telecommunications and electronic commerce space". He added: "This fund intends to be the premier vehicle for taking advantage of those opportunities."

A statement said that the fund "will take advantage of the global opportunities that are being generated through convergence and consolidation in the telecom sector today, as well as from the emergence of new technologies".

Onex is to commit $150m to the fund and Telefonica $250m. Donaldson Lufkin & Jenrette, the US investment bank, is expected to be retained as a placing agent for the balance of the fund which is expected to begin operating on May 1.

Juan Villalonga, Telefonica's chairman and chief executive officer, said the fund's unique strength was in combining an independent and experienced management team, a successful financial investing group, and an operator.

William Lewis, New York

Senior changes at Korn/Ferry

Korn/Ferry International, one of the world's leading headhunting firms, has announced a series of appointments in an attempt to prepare the firm for further global expansion and to increase its internet executive search business.

Michael Wellman is the new president of global specialty practices; **James Boone** is president of the firm's Americas region; **Michael Bekins** is president of the Europe region; and **Stephen Romaine** has been made president of the Asia/Pacific region.

All four will report to Windle Priem, president and chief executive officer of Korn/Ferry.

"The appointments are designed to organisationally strengthen Korn/Ferry in anticipation of further global expansion of our senior level search business," said Priem.

He added that the appointments were also intended to accelerate the growth of Futurestep, the firm's internet-based mid-level executive recruitment business which is to be introduced worldwide this year.

Wellman, 45, will be responsible for the expansion of Korn/Ferry's business in more than 20 international locations.

He joined the firm in 1992, became managing director of its New York office in 1995 and for the past year has headed Korn/Ferry's North American north eastern region.

William Lewis, New York

Rudd heads bank association

The Norwegian Bankers Association has appointed **Tom Ruud**, chief executive of Christiania Bank, Norway's second-largest lender, chairman of the 28-member group.

Ruud, 48, replaces Bjarne Borgersen, chief executive of Fokus Bank, Norway's fifth largest, after two years of chairmanship. At the same time, **Nils Moe**, chief executive of Nordlandsbanken has been elected deputy chairman. Moe, 58, holds a law degree and served two years in Norway's justice ministry.

Ruud is taking over during a period of massive restructuring in Norway's financial industry: the country's banks are in the throes of consolidation, joining the merger wave created by other European banks, and the government is reducing its majority stake in Norway's two largest banks. Most recently, Den norske Bank, Norway's largest bank, said it will take over Postbanken, the state-owned bank, in a NKr4.5bn deal.

Ruud assumes control after the bankers' association made a bold call to politicians at its annual meeting in March to consider ways to make Norway's banks more competitive or else risk foreign banks gaining the edge in its home market.

Valeria Sköld, Oslo

Senior shuffle at Continental

Hubertus von Grünberg, 56, is to step down on June 1 after eight years as management board chairman of Continental, the German tyre-maker.

In the interests of continuity during a period of rapid change, Continental is proposing that at the next annual meeting shareholders should approve Grünberg as the new chairman of the supervisory board.

His replacement as management board chairman is to be **Stephan Kessel**, 45, who is already a board member of the Hanover-based group.

Tony Barber, Frankfurt

Bergeron leads Geac Computer

Geac Computer, the Canadian software services group, has named **Douglas Bergeron** president and chief executive, effective April 26.

Bergeron, 38, faces the task of restoring investor confidence in Canada's largest software company, which saw its share price fall sharply earlier this year following a third-quarter profits warning. Geac's earnings have been hampered by Y2K-related problems that have also driven down the share prices of other enterprise software providers such as Baan and SAP.

Bill Nelson, who will remain Geac chairman but step aside as president and chief executive, said the company was looking for a chief executive who has a track record in building a company through acquisitions.

Bergeron was chief executive at Sungard Brokerage Systems, the application software division of Sungard Data Systems, a US group with US$1.2bn in revenues in 1998. He led the company through numerous complex acquisitions in the US and overseas.

He will be handed a strong balance sheet, with C$230m ($152m) available for acquisitions. Geac has become Canada's largest software group primarily through acquisitions.

Edward Alden, Toronto

MANAGEMENT ONLINE STRATEGY

Pioneers flood a niche

John Labate looks at a breed of net marketing specialist making the most of a fresh medium

As large companies race to come to terms with how the internet is reshaping their industries, a new breed of online marketing specialists has sprung up to exploit a widening commercial niche.

Robert Ayling of British Airways is one chief executive who understands exactly how swiftly this transformation is taking place. Eager to slash costs, he has said BA is committed to managing fully half its business on the internet by 2003, up from less than 10 per cent today.

BA's aggressive drive pits the carrier against other airlines as well as online booking engines such as Preview Travel and Microsoft's Expedia, popular sites for consumers looking for the best deals.

Yet rather than go it alone, BA is working with Agency.com, one of the new US online marketing companies. For over two years Agency.com has developed more than 2,500 web pages for the UK airline, helping shape BA's online strategy with booking and trip-planning services.

The push by traditional companies such as BA, Texaco and Unilever to maximise their internet and internal intranet operations has powered a surge in growth for two new sets of internet companies: online marketing specialists, such as Agency.com and Modem Media.Poppe Tyson; and more technically oriented systems integrators like iXL of Atlanta and USWeb/CKS of California.

All are expanding rapidly, with offices in the UK and Europe, fuelled by robust customer demand. In December iXL signed a five-year deal with Delta Air Lines that is worth $10m in the first year alone.

Why are such deals happening in a sector that hardly existed three years ago? Too often the skills of traditional advertising and consulting companies are found wanting when it comes to learning the best way to draw customers, spread the brand name and make sales on the internet.

"There's a sound argument to be made that people from a traditional agency background don't get the net," says Barry Parr, programme director at International Data Corporation, an economic research group in California. "Some web sites don't exhibit a clear understanding of what people are looking for online in the syntax and grammar of the medium."

There is a long list of common mistakes. Some sites, for instance, require a password to be sent by post before access is allowed.

Companies are anxious not to fall into the usual traps, given the risks of launching a web site that fails to attract customers or appeal to existing ones. In an IDC survey of 100 large web sites, the initial cost to build an interactive site averaged $5.9m, with annual maintenance costs at $4.3m.

At John Hancock, the Boston-based financial services company, the problem was how to attract consumers of different ages and financial needs. Hancock hired Modem Media in 1997 and launched a transactional web site in 1998 that is having strong results.

In one of its leading product groups, term life assurance, online sales now account for 35 per cent of all direct-to-consumer sales, second only to far more expensive direct-mail sales.

Modem Media provides the strategy and creative design, including graphics, and Hancock's in-house team handles the rest. The programme has been so successful that Hancock expects to have complete underwriting online by next year.

Client companies are increasingly coming to the view that merely having a presence on the internet is dated and adds little value. "The real story now is in helping companies upgrade and expand that presence," says G.M. O'Connell, chief executive of Modem Media.

According to IDC estimates, e-commerce is expected to account for some 12 per cent of US gross domestic product by 2004.

In the longer term, however, it remains uncertain whether the internet marketers can hold their lead over competitors. Much of the money backing the sector comes from the top 10 advertising agencies. True North owns 51 per cent of Modem Media, a publicly traded stock as of February. Agency.com is backed by Omnicom, the global agency.

Most traditional marketing firms are attempting to close the gap by developing their own in-house internet divisions. In addition, International Business Machines and other tech-savvy giants are moving into the systems-side support, a market now led by iXL and USWeb/CKS.

Another reason for caution has to do with the recent spate of mergers. A wave of consolidation swept through the online marketing sector last year, and is likely to continue this year, leaving the largest firms with greater revenues.

Most of the firms are privately held, but have estimated post-merger revenues of between $40m and $250m. The question remains whether they can continue growing at a strong clip internally.

"Acquisitions are as important [as organic growth] to this stage of the market," says Chan Suh, chief executive of Agency.com. "This is not a market-share game, the market is exploding."

One of the main drivers of the recent consolidation is the hunt for talent, say Mr Suh and others in the sector, as their companies attempt to keep pace with customer demand.

While the bulk of the growth is generated in the US, Europe beckons – only 10 per cent of Agency.com's business comes from companies based outside the US. But with offices in London and Paris, and feelers already out in Singapore, Mr Suh is eager to double the non-US portion in the coming year.

'There's a sound argument to be made that people from a traditional agency background don't get the net'

Chan Suh: 'This is not a market-share game; the market is exploding'

TIM JACKSON
ON THE WEB

Outsourcing all the way to the bank

First-e illustrates how new media have reduced entry barriers to what were once bricks-and-mortar businesses

Europe is about to see its most daring internet start-up yet: a consumer bank that provides service only over the web.

The bank, to be known as first-e, hopes to pose a direct challenge to traditional retail banks by taking deposits, offering cheque accounts, and providing brokerage and ultimately other investment services.

The business was founded by Gerhard Buber, a veteran of the direct consumer banking industry who worked for Fidelity in the UK and for Direkt Anlage Bank, an execution-only brokerage business in Germany.

Xavier Azalbert, a former colleague of Huber's at Fidelity, the fund manager, will be responsible for the day-to-day operations of the consumer bank. He joined from McKinsey where he was a consultant in the consumer finance industry.

First-e hopes to launch in the UK some time between the beginning of next month and the end of June, depending on the progress of discussions with British financial regulators.

Mr Huber believes that most banks are vertically integrated to a ludicrous extent – "as if a car company were to raise the cows that provide the leather in the seats", as he puts it. First-e's approach will be the exact opposite. Everything possible will be outsourced to reduce fixed costs.

To obtain a banking licence, first-e has done a deal with Banque d'Escompte, a French deposit taker, which can be leveraged under European Union banking rules into a permission to operate in other European countries.

To secure the retail distribution necessary for a consumer banking proposition, first-e has to offer cheque and cash card services. The former will be delivered by means of an outsourcing arrangement with Electronic Data Systems, which also handles cheques for Royal Bank of Scotland; the latter, from a deal with Mastercard which plugs first-e into the UK's network of more than 400,000 cash machines. The bank will have to pay £1.50 every time one of its customers draws cash from a machine: it will absorb this cost from its margins on taking deposits.

Telephone service will be outsourced, too. Using Merchant, an Irish call centre business, first-e will benefit from a team of seven customer-service people who will deal with phone customers using scripts and information provided by first-e.

The company is a perfect illustration of how new communications channels such as the telephone and the internet are reducing the entry barriers in traditional bricks-and-mortar businesses. A successful precedent is Egg, a deposit-taking venture launched by Prudential, the UK insurer, which has acquired more than 250,000 customers in less than a year.

Yet the Egg case raises two concerns for first-e. Egg's deposit rates are so competitive that they are actually loss-making: the company pays more to depositors than it earns when lending out the money.

That is an expensive way to build a brand. Second, Egg is reputed to be spending £75m ($121m) on advertising in its first year.

First-e, by comparison, has a UK marketing budget of only £1.5m. Although Mr Huber believes that his team can be smarter than Egg, the disparity in resources is so great that there must be doubts as to whether the company can acquire a meaningful number of customers with this amount of money.

The advertising strategy will include buying banners on Yahoo!'s UK finance pages and on the FT's web site, and running a partnership with Interactive Investor, a British personal finance site.

Mr Huber says that he was able to acquire customers at very low cost when at Fidelity, and believes he will be able to achieve an acquisition cost of £150 per customer or less for first-e.

The business raises some interesting financing issues. It has raised $15m in equity from four investors, including two European venture capitalists (one of whom is an investor in my own company), Intel, the microprocessor maker, and Metro, the German retailer.

This is the biggest venture capital round ever in the European internet business. But it has not quenched the business's thirst for cash. To meet the capital-adequacy ratios laid down by the Bank for International Settlements in Basle, first-e estimates that it will need to raise another C31m ($29m) by the first quarter of 2000 merely to replace its relationship with the French deposit-taker.

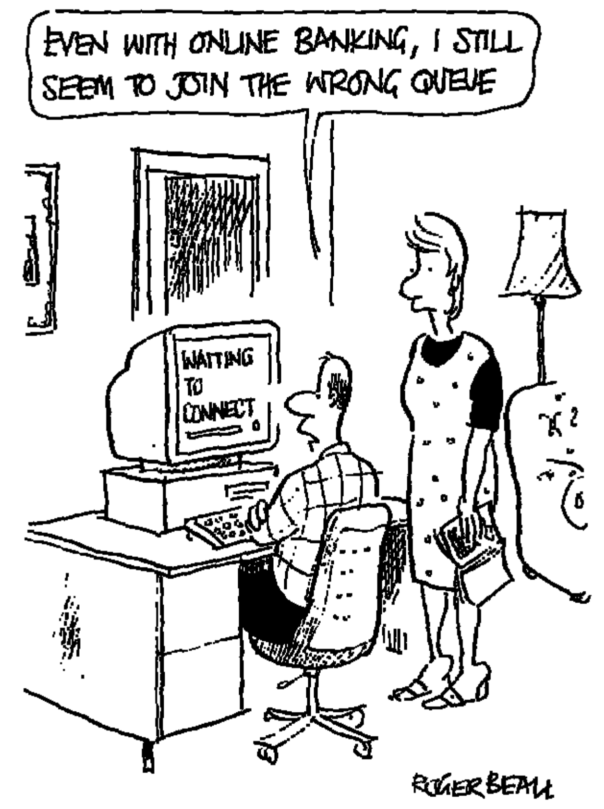
Most successful entrants into consumer finance have been the owners of existing strong brands from other sectors – not only Prudential, which was already in the insurance business, but also names such as Virgin and Tesco.

That is why another business being operated by Mr Huber's holding company may ultimately be more of a success. Called factor-e, the company will provide the same retail financial services operated by first-e, but as an unbranded service that can be sold to brand owners for distribution to their existing client bases.

My guess is that Mr Huber may find that the publicity from first-e is more successful at building this "private label" business than in building the first-e brand itself.

But the conclusion must ultimately be a highly positive one. It is encouraging to see such risk-taking from managers in the European financial services business – and more encouraging still to see investors flocking to put money into the venture.

tim.jackson@pobox.com



IT-BRIEFS

Transcribing becomes a moveable feat

Transcribing dictated notes, letters or other documents is a laborious task, particularly for professionals on the move. Dragon Systems, the speech recognition technology group, believes it may have a solution: the first speech recognition system designed specifically for mobile workers.

The system comprises two parts: Dragon's Naturally Speaking English Export Preferred speech recognition software – which supports both British and American English – and a new pocket-sized digital recorder that weighs less than 4oz.

The user can create and even format documents – simply by speaking into the hand-held recorder. The recordings are downloaded to a PC using a standard serial link cable and the software then transcribes them into text.

The recorded speech, stored in compressed form, can be transcribed at a faster speed than the time taken to record it. The recorder can store up to 40 minutes of dictation using its built-in memory. Up to an additional 81 minutes of recording time can be added by plugging in standard flash memory cards.

www.dragonsystems.com

Recovering lost data

Despite the increasing reliance on personal and mobile computers, many companies are still ill-prepared to recover lost data caused by software incompatibilities, human errors, viruses, vandalism and other misfortunes.

Hardware and software errors and user mistakes account for nearly three-quarters of all business interruptions and data losses.

Data recovery should, therefore, be a central element in any system management plan. But that usually involves relying on hardware vendors' technical support operations or service bureaux that specialise in disk repair – an option that can be expensive and impractical.

PowerQuest, the fast-growing Utah utility software group, has launched Lost & Found, a user-friendly software package that enables PC users to recover lost data themselves. It was developed by HighPoint Technologie which was recently acquired by PowerQuest. Lost & Found can find a file anywhere on a disk as long as it has not been overwritten, enabling the user to recover files or to check the hidden contents of a disk drive.

It also has a quick-check feature which performs diagnostic tests on disks. Another feature operates like an automatic back-up system, and there is a simple back-up which stores critical files or folders.

PowerQuest has also launched a version of its ServerMagic software which now supports Windows NT.

Replacing a server's hard drive can be a lengthy, error-prone process which often entails re-installing the operating system. ServerMagic 2.0 enables systems administrators to upgrade hard drives or expand server disc partitions on-the-fly.

www.powerquest.com

Cobalt launch

Cobalt Networks, the network equipment maker based in Mountain View, California, has launched a second-generation version of its innovative rack server systems aimed at large companies and the internet service provider market.

The Cobalt RaQ2 system is designed to be used as a plug-in web-hosting server and can handle more than 10m web pages a day. Instacache software developed by Cobalt allows the servers to be bundled as clustered systems. A comprehensive suite of standards-based internet services and remote administration features are provided. For smaller operations the company has introduced the Cobalt 2 internet and intranet workgroup server. Its features include a built-in web server, e-mail and file serving software.

www.cobalt.com

Paul Taylor

مكبرا من الاصل

EXHIBITION 'STEALING BEAUTY' AT THE INSTITUTE OF CONTEMPORARY ARTS

The art of looking two ways at once

William Packer is charmed by the freshness and lack of pretension of the works on display

As Philip Dodd, the ICA's director, nicely puts it in his foreword to "Stealing Beauty", its latest exhibition: "Design is often a problem for over-tidy minds. It looks so many ways at once: towards the industrial and the artisan, towards culture and commerce, towards art and product, towards aesthetics and ethics."

It is the looking all ways at once that is the point. At the RCA for example, and in art schools everywhere, the mutual, fertile, necessary relation of design to art and back again is ever demonstrated.

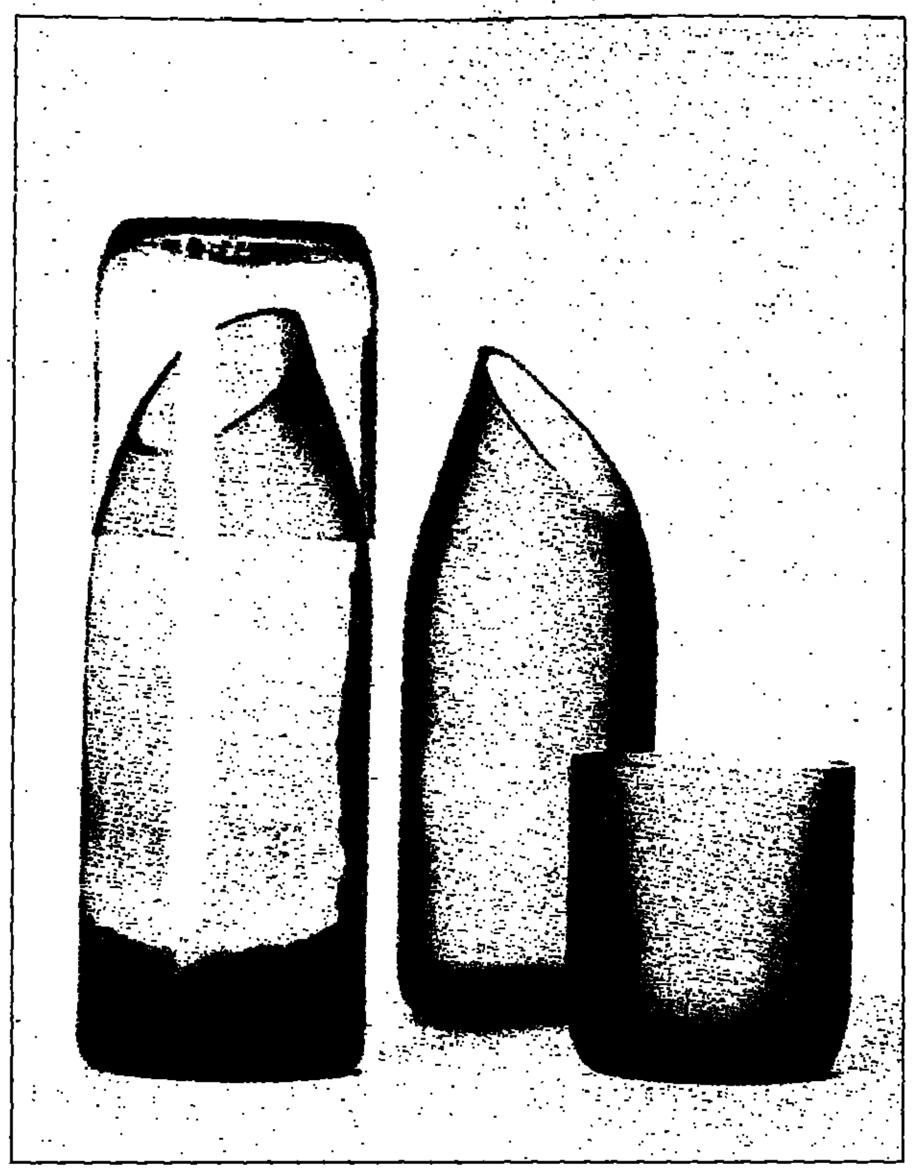
The question, perhaps, is really one of context. Thus "Stealing Beauty" could well have appeared at the Design Museum, with its close and particular focus, or indeed at the Victoria and Albert, with its historical and comprehensive overview. But, without taking anything away from either institution, that it should fall to the more open-ended, opportunistic, brief-less ICA to put it on is perhaps the more apposite. Is it design? Is it art?

Claire Catterall, the design historian whose idea it was, has invited some 15 designers or design partnerships, most of them fairly young, to show something of their recent work that would characterise their personal interests and approach. But this is no survey, no looking just to the best of its kind, straight-down-the-line product design. Rather, she has looked to the more idiosyncratic and experimental, those, she says, "who are searching for a new method and meaning in design". And beyond the art-speak, the idea itself is intriguing and engaging. "This is not a revolution; there is no manifesto, no agenda, no lofty higher ideal. It's not a design 'movement' . . . this is a far more gentle thing – it's simply a mood, an energy."

Method, mood, meaning or whatever, what brings these designers lightly together is a shared interest in the mundane and the everyday, in the furniture, ephemera and fallout of ordinary life, and the preparedness, above all the wit, to make use of it all. Such raw material might be, for example, nothing more than a roll of heat-resistant masking-tape (Georg Badele); the steel wire-mesh of the supermarket-trolley (Azumi); sheets of perforated hardboard and MDF (Michael Marriott); rolled-up magazines (El Ultimo Grito); recycled wine bottles (tranSglass); or simply a few torn scraps of printed card or carton (Alex Rich).

But in the end it is not what they use, but what they make of it that matters, and what is most impressive here, not to say delightful, is the wit and panache with which they set about it, and the general elegance and economy of the result. Particularly refreshing is their general straightforwardness of approach, and lack of any conceptual preciousness or self-consciousness. It is perfectly clear that they are well aware of what artists now are up to. But where their conceptual fine-artist peers might flog a particular idea to death, banging on about "investigating issues" in a pile of leaves or a piece of string, they just make something. Georg Badele simply pushes out from the centre his roll of tape until he has a stalagmite some four or five feet tall, turning it then into a glowing lamp with a bulb inside. The Azumi partners simply bend and fold that familiar trolley-mesh into the most elegantly minimal of chairs, here strung up in mid-air like the sparest of Japanese lamps.

El Ultimo Grito (The Last Word) has a perforated plastic tube into which rolled up magazines are poked, transforming it immediately into a most useful and practical hat-rack, Magritte-like bowler hats and all. The wine bottles of tranSglass, cut through, sliced at an angle, polished and blasted and variously buffed up, turn into the most refined of modern glass. Throughout the show there are to be found just such shifts and changes of perception and response, new uses found, fresh forms revealed. The installation too is no less witty and effective, especially downstairs, where the port-holes in the corridor wall isolate each linear section within the unpartitioned lower gallery itself.



Shifts in perception: TranSglass's wine bottles become the most refined of modern glass

Only one thing puzzles, and saddens, me. Each contributor is allowed an explanatory text which is complemented by a personal questionnaire: who do you design for? who and what inspires you? your favourite material? your ideal client? your worst design? your favourite object? – that sort of thing: which is all very well, and by turns arch, amusing and revealing. But these are designers, after all, with, as their work declares, the most acute of sensibilities. Yet here are statements – not all, I have to say, but the larger part and too many not to be worrying – that at times verge on the illiterate. And the handwriting itself is a real betrayal, too often unformed, childish and ill-educated. How can these designers not care what they say so openly and, above all, so visually about themselves, when they clearly care so very much about their work? It is indeed a puzzle, and a real shame.

Stealing Beauty – British Design Now: Institute of Contemporary Arts, The Mall, London SW1, until May 31: in association with Perrier-Jouet Champagne.

CONCERTS SOUNDING THE CENTURY

Plenty of new young talent to choose from

Heaven help young composers early in the next century. To judge from the disproportionate flood of new music concerts at the end of this one, it could be 100 years before they get a decent hearing.

As 1999 progresses, BBC Radio 3's festival, *Sounding the Century*, is reaching its culmination. After various mini-festivals devoted to leading composers it is getting down to business in April with a month-long celebration of British music since 1945 – a period in which the UK has arguably held its own internationally for the first time since the 1600s.

The byline of the festival promises classics of British music, and it seems the honour is decided pretty swiftly these days. Richard Causton's *Millennium Scenes* was getting its first performance at Wednesday's opening concert and, while it ranks as an invigorating piece, bristling with late 20th-century urban impatience and cutting-edge sounds, it is a brave man who would call it a classic from day one.

Harrison Birtwistle's *Endless Parade* is already more than 10 years old and its artistic profile is as sharp as ever. Although repeated listening does not make it easier to follow its stream of striking ideas, there is no question that Birtwistle has managed to write a virtuoso concerto that is also uncompromisingly serious music. Hakan Hardenberger, as at the premiere, was the brilliant soloist.

Turning the clock back after that to 1945 comes as quite a shock. The position of Britten's *Peter Grimes* as one of the great operas of the century is unassailable, but that does not mean its music transfers well to the concert hall. The central pair of the *Four Sea Interludes* are too contrived to be convincing, unlike the outer pair, which dazzled here in precision performances by the BBC Symphony Orchestra under Andrew Davis.

They also gave what seemed a remarkably detailed performance of Tippett's *The Vision of St Augustine*, for which they were joined by the BBC Singers and BBC Symphony Chorus and Alan Opie, a fine and steady baritone soloist. Unfortunately, the work itself remains a problem: Tippett had a natural disposition to create in-built barriers over which his desire to express himself has to triumph, but in this case it is hard to sense the message coming through. Too much of the music is difficult in the wrong way.

The good news is that the high quality of the musical preparation also promises to distinguish the BBC Symphony's other concerts in this series, featuring more Britten, Tippett and Birtwistle, together with younger names. It is to Britain's credit that there are so many to choose from.

Richard Fairman

FESTIVALS BUDAPEST

Music, sex, shopping for prudent visitors

The Budapest Spring Festival is always a bit dodgy: not because of the fare it offers – theatre, folklore and especially music – has anything but high aims, regularly achieved, but because it is always winter still when it begins, with spring arriving distinctly later. Prudent visitors come late.

This year spring burst out on Wednesday last week, rather like dawn being switched on for *The Truman Show*. After wintry showers before, Budapest warmed abruptly by 10°C or 15°C, relaxed and glowed. Nicely timed: on Tuesday we had had Bartók's dark one-acter *Duke Bluebeard's Castle* and his sour, beady-eyed ballet *The Miraculous Mandarin* (that was the sexy bit) at the Hungarian State Opera, whereas Wednesday brought a concert of Bartók at his sunniest – creative folk-arrangements, the ever-popular Concerto for Orchestra and the 3rd Piano Concerto, written for his pianist-wife Ditta.

It was good to hear *Bluebeard* performed at home, so to speak, in this beautiful opera house and by excellent Hungarian singers. Kolos Kováts' grave, gentle Bluebeard is long familiar in the west, and Katalin Szendrényi's mezzo Judith went through a striking dramatic development as the action unfolded. Ádám Fischer conducted sympathetically, though without much tension – nor, as far as I could tell, all the extra brass Bartók wanted for the Fifth Door, nor the organ.

Fischer had a much tighter grip on the weird *Miraculous Mandarin*, which fairly crackled and was lustily mimed and danced. In the National Philharmonic's all-Bartók concert Zoltán Kocsis, whom we know in the west as an intense, imaginative pianist, conducted a crackling performance of the Concerto for Orchestra, crisper and sharper than I've heard it in years. (In the "Games of the Couples" movement, the perky bassoons won hands-down.) He provided alert accompaniment for Peter Donohoe's clean, forceful account of the 3rd Piano Concerto, too.

The singers disported themselves on Csaba Antal's tower of metal girders

*Hungary boasts so many distinguished chamber-musicians that the festival can always offer a luxuriant spread of chamber-music. I chose instead to try two new opera productions. One was a world premiere, János Vajda's *Leonce and Lena*, based on Georg Büchner's first play (his other two, *Danton's Death* and *Woyzeck*, have already been set by Gottfried von Einem and Alban Berg).

Vajda used to be an "avant-garde" composer, but has crossed over to what he hopes is popular appeal. This *Leonce and Lena* was deeply unappealing. Vajda's response to the whimsical, cod-philosophical text was to set Act 1 mostly to pastiches of Italian opera from Rossini and Donizetti to Verdi, neither witty nor funny, and most of Acts 2 and 3 to stuff which dimly recalled superior Kodály and Bartók. György Fehér's strenuously comic production tried to make the best of it.

Far more exciting was Judit Galgóczy's staging of Strauss's *Elektra* in the lofty atrium of Budapest's giant new shopping mall, the Duna ("Danube") Plaza. The singers disported themselves on and around Csaba Antal's tower of metal girders, with a causeway descending to a semi-circular catwalk at ground level. Below them Peter Schrottner conducted a seasoned, powerful performance with the orchestra's backs to us – giving rare advantage to the singers, who not only faced us but were practically in our laps.

Truth to tell, the literally elevated production offered nothing very special otherwise, though it gave the singers endless opportunities for *Angst*-y posing (Hungarians are good at that), draped over the banisters. The relentless ambient noise – chiefly from the air-conditioning, but also from wandering guards and floorwalkers – was a severe problem.

Yet the performance was gripping, thanks to the voices and the acting. Besides their German guest Ortrun Wenkel as Clytemnestra, elegantly feline, Tamás Busa's virile bass-baritone, intelligence and great haunted eyes made him an ideal Aegisthus, and Mária Temesi sang a rich, full-voiced Chrysothemis.

And Eszter Somogyi's Elektra was superb: gaunt cheekbones (Hungarians are good at that, too) beneath a cropped, mannish haircut, a tireless stream of tone grandly inflected, enormous presence and stillness. That was more than enough; at the end she didn't dance herself to death, but just succumbed to a quiet, dignified stroke.

David Murray

CONCERTS MARIA JOAO PIRES AND GUSTAV LEONHARDT

Mozart to swoon over

Two London concerts contrasted mightily last week, one a sumptuous pleasure, the other devoid of any sensuality.

At the packed Barbican Hall, Maria João Pires, a Portuguese pianist, used her gently beautiful tone to support poetic insights, to coax the listener into a state of intoxication that few other pianists can match. If she didn't sketch a complete picture for every work, at least she had the great artist's knack for making you forget – certainly while she was playing – that there could be anything else to say in the music.

Thus, it's easy to understand Pires's spectacular rise to international prominence over the last decade. Just as Alfred Brendel was "discovered" and became a star around 1970 – after years in a mid-tier career – so it seems that audiences are now content to embrace Pires's artistry on her own terms. It's not that she has changed significantly since those early recordings – it's more that we're ready to listen.

In the Chopin-filled second half, Pires's pliant tempos breathed naturally, with five Nocturnes (from Op. 15 and 27) played in a nuanced, singing voice. And she added details at every level, though not as a storyteller: almost everything she does is atmospheric.

And although she is not an immaculate technician, she made the agitated episodes in the Fantasy (Op. 49) persuasive while the quieter episode gently dissolved. The closing restatement of the theme was reflective, not triumphant. It had to be: there was never a journey. In the Fantasy-Impromptu (Op. 66), quick and nimble, Pires kneaded every phrase, folding one into another, shifting from foreground to background, and recreating her persuasive Chopin style.

These terms were less convincing at the evening's start, where Debussy's "Suite: Pour le Piano" never quite settled in, despite Pires's clean, lovely playing and elastic tempos. Under her fingers the intervals that once must have seemed so jarring, those 7ths and 9ths, sounded timeless, not impressionistic but eternal.

The opening theme and variations of Mozart's Sonata in A (K331) were softly etched, weepy and introspective, even a bit mannered. Lost was the spontaneity. Pires made curiously slow and self-conscious tempo choices in the Rondo, putting a distinctive stamp on the piece. It was Mozart for cascading beauty of sound, Mozart to swoon over.

What a contrast in attitude a day later, at St John's Smith Square, for a performance of Bach's "St John Passion", an evening of spartan devotion, with no applause and no interval. Conductor Gustav Leonhardt's Bach is a known product. His *faux* "historically informed" style grew up alongside Modernism, and shares its values: angular, pungent harmonies, lean textures and clipped phrasing that banishes long-spun lines. Today, it sounds like an ascetic's sensibility and a little far out; it's an occasional kind of pleasure.

The Orchestra of the Age of Enlightenment soaked up Leonhardt's approach, the 13-member Choir of the Enlightenment sounded pale but were aggressive in entrances, while the soloists each brought slightly varied emphases. Soprano Rachel Elliott used her warm and pleasing middle range expressively. Countertenor Michael Chance's delivery, round and smooth, settled dry on the listener's ear. The best interplay came in the recitatives, between the Evangelist (Mark Padmore), Jesus (Michael George) and Pilate (Stephen Varcoe), each theatrical in delivery and agreeable in tone.

Despite Leonhardt's sinewy command of overarching structure, it wasn't a spirited performance, but rather provided pleasures of the moment.

Pierre Ruhe

INTERNATIONAL

Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Dutch National Ballet: featuring Acts of Light by Martha Graham, with the world premiere of Krzysztof Pastor's Bitter Sweet, and Balanchine's Symphony in C; Apr 6, 8, 9

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
The Floating World: Japanese scroll paintings from the Kumamoto Museum of Art; to Jun 13

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Otello: by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber, with a cast led by Vladimir Bogachov; Apr 10

BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Matthäus-Passion: Christopher Hogwood conducts Johann Bach's and Felix Mendelssohn's score, staged by Günther Uecker, Götz Friedrich and Dietlinde Calsow; Apr 8, 10

BONN

EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
www.kah-bonn.de
High Renaissance in the Vatican: Art and Culture at the Papal Court (1503-34). The early 16th century saw Papal Rome establish itself as the centre of art in Europe: the Vatican commissioned work from such great artists as Leonardo da Vinci, Michelangelo and Raphael; to Apr 11

CHICAGO

CONCERT
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: presented as part of the Great Performers Series in works by Mozart and featuring Alfred Brendel on piano, Katharine Gowers and Lucy Jeal on violin; Apr 6

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● Glenn Miller Orchestra: conducted by Ray McVay performing wartime classics; Apr 10
● Orchestra of the Age of Enlightenment: this period instrument ensemble makes a welcome return starring Nathalie Stutzmann (contralto) and directed by Catherine Mackintosh in works by Corelli and J.S. Bach; Apr 6
Queen Elizabeth Hall
Tel: 44-171-960 4242
Camerata Academica: in works by Mozart, with violin soloist Isabella Faust, and viola Tabea Zimmermann; Apr 7
Royal Festival Hall
Tel: 44-171-960 4242
● BBC Philharmonic: Endless Parade: Classics of British Music since 1945 by Britten. Conducted by Yan Pascal Tortelier and featuring the BBC Singers; Apr 10
● London Philharmonic Orchestra: conducted by Leon Botstein in works by Wagner, Khachaturian and Dvořák; Apr 9
● London Philharmonic Orchestra: International Series featuring Hadyn's The Creation conducted by Sir Roger Norrington; Apr 11
● Philharmonia Orchestra: conducted by Vladimir Ashkenazy in works by Bernstein, Gershwin, and Rimsky-Korsakov; Apr 7

EXHIBITION
Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
Patrick Caulfield: major retrospective of the British pop artist; then touring in Europe and the US; to Apr 11

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Apr 9
● Salome: David Atherton conducts Richard Strauss' opera, starring Vivian Tierney as Salome in David Leveaux's production; Apr 7, 10

LOS ANGELES

CONCERT
Music Center: Dorothy Chandler Pavilion
Tel: 1-213-365 3500
www.laphil.org
Los Angeles Philharmonic: conducted by Hans Vonk and featuring Lars Vogt on piano in works by Webern, Mozart, and Schubert; Apr 7, 10, 11

MADRID

EXHIBITION
Fundación Juan March
Tel: 34-91-435 4240
Marc Chagall: Jewish Traditions. 40 paintings by the Russian-French painter, produced between 1909 and 1976. They detail Chagall's progression through such styles as Expressionism, Cubism and Surrealism; to Apr 11

NEW YORK

CONCERT
Pierpont Morgan Library
Tel: 1-212-685 0008
Collection in Concert: From Bach to Berg: featuring John Aler (tenor), Krista Bennion Feeney (violin), Michael Kannen (cello) and directed by Laurie Smukler and Ira Weller; Apr 8

EXHIBITION
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Our New Clothes: Acquisitions of the 1990s: presented by the Costume Institute. Focuses on themes such as American Heroes which highlights designers Geoffrey Beene, Calvin Klein, and Giorgio di Sant'Angelo; from Apr 6 to Aug 22

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Giulio Cesare: returns to the repertory with John Nelson conducting and Jennifer Larmore in the title role. Production by John Copley, sets designed by John Pascoe, and costumes by Michael Stennett; Apr 10
● Susannah: by Floyd. James Conlon conducts a new staging by Robert Falls, with a cast led by Renée Fleming and Samuel Ramey; Apr 6, 9
● The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev in a revival of Elijah Moshinsky's staging, designed by Mark Thompson. The cast is led by Plácido Domingo (replaced by Yuri Marusin on Apr 3), Galina Gorchakova and Olga Borodina; Apr 7, 10

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
Lucia di Lammermoor: by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, with designs by William Dudley; Apr 8, 11

PERUGIA

EXHIBITION
Galleria Nazionale dell' Umbria
Tel: 39-075 574 1247
Beato Angelico and Benozzo Gozzoli: Renaissance Painters. Organised to mark the 500th anniversary of Fra Angelico's death, this show includes missing sections of his Polittico dei Domenicani, lent by the Vatican so that the whole, restored polyptych can be seen in its entirety; to Apr 11

TOKYO

DANCE
NHK Hall
The Royal Ballet: the British company's tour opens with Swan Lake; Apr 11

EXHIBITION
Bunkamura
Tel: 81-3-3477 9999
Apéritif and Wine Poster Exhibition: a collection of Forney City Library of Paris. As part of the "French Year in Japan" this aims to present the unfamiliar side of French culture to the Japanese. Shows about 200 apéritif and wine posters from the late 1800's to the 1960's; to Apr 25

VIENNA

OPERA
Wiener Staatsoper
Tel: 43-1-51444
Macbeth: by Verdi. Conducted by Simone Young in a staging by Peter Wood, with a cast led by Leo Nucci and Eliane Coelho; Apr 6, 9

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● *CNN International*
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PETER MARTIN

Intangible futures

The all-paper deal in Yahoo!'s purchase of Broadcast.com represents virtual value for a virtual industry

How do you compare the value of blue sky and hot air?

To put it another way, what does it mean to say that Yahoo!'s purchase of Broadcast.com valued the acquired company at $5.7bn (£3.5bn)?

On the face of it, that's a lot of money for a company which lost $16.4m last year on revenues of $22m.

But of course Yahoo! wasn't paying in real money. It was handing over its own shares, trading at 1,634 times earnings.

In a traditional all-paper acquisition, the shares of the acquiring company are a genuine currency, founded on underlying assets or cash flow. It is fairly easy to tell how much is being paid, and whether it is too much.

In the virtual world of internet stock swaps, all this is meaningless. Quite apart from the intangible nature of Yahoo!'s business, there is little free float in its shares.

At end-1998, less than 20 per cent of Yahoo!'s stock was in the hands of the investing public.

If the big shareholders tried to sell their 80 per cent plus in the company, to crystallise the theoretical value of the stock they own, they would not be able to get the open-market price.

That does not mean the current stock price is wrong. It could be right. It could even be too low. The true value of the company is simply unknowable. Similar conditions apply to Broadcast.com.

The exchange of paper between the two sets of shareholders is just that, an exchange of paper – no matter how fancy the engraving on the stock certificates.

If you are a Broadcast.com shareholder, you are trading in one hypothetical future for another. Both are equally obscure – and apparently equally rosy, since shares in both companies jumped when the deal was announced.

We used to marvel at these stock valuations. Now, amazement has been replaced by a sort of dead-pan humour, as in this quote from last week's New York Times: "On its second day of trading yesterday, Priceline.com, an internet service that sells discount airline tickets, rose in value to $11.7bn, more than any airline in the world."

Amazement. Straight-faced humour. Both reactions are plausible. But here's an alternative view of what's going on. It's the democratisation of the stock promotion business, the creation of an equal-opportunity boondoggle.

Think back to the great stock promotion booms of the past century – railways, mining, the car industry, electrification, radio, television, electronics. They have all involved the creation, merger, re-creation, consolidation and endless restructuring of a host of hopeful companies.

The underlying technology was real. But most of these early ventures had no more claim to longevity than the average internet stock.

In the background, there have always been shadowy promoters, people who carry out a string of corporate transactions, each time watering the stock or finding another way to profit from the process.

Each time, the public clamours to join in, and briefly makes paper profits. Some individual investors even manage to cash out in time. Eventually, though, reality takes over. Stock valuations plummet. Many companies collapse, or are swallowed up by the survivors at a pittance of their top-of-the-market price.

Even the survivors take decades to regain their peak value.

As night follows day, the pattern will recur. With one significant exception: the shadowy stock promoter has given way to the geek. A huge over-supply of venture capital, and the very low capital requirements of the internet business, have between them eliminated the need for an intermediary.

True, investment banks and lawyers still earn fat fees from taking companies public. But the *real* money was always made by the stock manipulators – and this time, those profits seem to accrue mostly to the companies' founders.

On paper. Because the run-up in internet stocks has been so big, and so fast, that it has had one unexpected effect. It has closed off the opportunity for conventional companies to pay real money – in the form of cash or traditionally valued stock – for internet companies. At the height of the 1960s electronics boom, Xerox paid around $900m for Scientific Data Systems. It was a disaster, of course.

This time, conventional companies would certainly be making the same sort of mistake, if they could afford it. But Xerox was paying only 90 times earnings for SDS. Today, with companies such as Broadcast.com selling at 260 times *revenues*, mistakes like SDS are simply out of reach. Only internet companies can afford to pay those prices, because they are not using real money. So the wave of deals that traditionally accompany the early years of a promising new technology are taking place in a vacuum, unconnected to external valuations.

That makes the notional prices that are paid all the more unrealistic. But it also minimises the damage to real-world acquirers, by pricing them out of the market. And it ensures that the geeks are rewarded largely with paper profits, not real ones.

No traditional stock promoter worth his cigars, silk hat and French mistress would have settled for paper. But in a virtual industry, you must expect virtual profits.

peter.martin@ft.com

LETTERS TO THE EDITOR

US-China deals sound a wake-up call to Europe

From Mr Martin Baker.

Sir, I read with keen interest James Kynge's reports on Beijing's proposed entry to the World Trade Organisation (March 30).

The presence in Beijing last week of two senior officials of the US administration and the announcement of a number of high-profile investments between the People's Republic of China and US companies – particularly those in the telecommunications sector – ought to sound a wake-up call to European business interests and the beleaguered European Commission.

After 13 years of negotiation, PRC now has a window of opportunity to join the WTO before a millennium trade round starts. The support of the US will be decisive.

The PRC's admission to the WTO will be welcomed by many as long as it is based on transparency and multilateral principles. Bilateral, sweetheart deals with the US may cause friction rather than harmony.

Reports that foreign companies may be able to own up to 35 per cent of the equity of telecoms companies in China, dependent on PRC's admission to the WTO, have far-reaching implications. Of perhaps even greater significance is the suggestion that China Unicom may be awarded a nationwide licence for the US-developed Code-Division Multiple Access (CDMA) mobile telephone standard.

GSM, Europe's successful second-generation mobile standard, is a rival to CDMA. With a reported 40m customers at stake, the way in which these arrangements are structured may have profound implications for the future of mobile telecommunications, in particular for global roaming and the development/market acceptance of third-generation mobile standards.

Martin Baker,
competition and trade lawyer,
Taylor Joynson Garrett,
Carmelite,
50 Victoria Embankment,
London EC4Y 0DX, UK

Too much expected of 'reluctant policeman'

From Mr Thomas L. Duston.

Sir, Having just read Gerard Baker's article regarding the US as a "reluctant policeman" ("Out of the firing line", April 1), I felt the need to respond. Where are the Europeans with respect to this conflict? Germany's coalition government with the Greens is reported in this same edition as at risk over dissension within that government over military involvement. There have also been reports that Italy is riven with doubts over the military actions in Yugoslavia. Mr Baker himself points out that Europe is paralysed by "Kosovo fearfulness" and that the Kosovo situation presents "too serious" a matter for Europeans to undertake military action themselves.

Domestic considerations aside, Mr Baker does not articulate a reason why the US should put its troops at risk when even European support is in question. If Kosovo does not present an appropriate "testbed" for the European security and defence identity, then what would? I happen to agree with Mr Baker that the US is often too timid, and too driven by domestic political concerns, to take proper leadership in situations where that is required. What I object to, however, is the immediate assumption that it is the job of the US to jump into every such conflict, and that Europe is entitled to neglect its responsibilities, particularly where the conflict so much more directly concerns Europe's interests.

Thomas L. Duston,
306 W Concord Place,
Chicago, IL 60614, US

Pursuit of an American view of the world

From Mr James W. O'Sullivan.

Sir, The US is often described as "isolationist", or, as in Gerard Baker's article, "rarely ... enthusiastic internationalists".

US international involvement during the past 70 or so years has been energetic, far-reaching, consistent and ultimately quite successful. So why is the perception of "US isolationism" particularly evident in Europe?

Part of the answer, I am sure, results from a US pursuit of an American view of the world, rather than a European view. These views and interests are often, understandably, different – witness the post-second world war reconstruction, Suez and the "democratisation" of Latin America – and sometimes similar or congruent – witness the containment of USSR and German unification. American methods are also, clearly, quite different from those methods employed by European powers when, in the 18th and 19th centuries, they too were (almost) as internationalist as the US has been in the 20th century.

A successful foreign policy is not appropriately measured by the number and frequency of engagements in foreign wars. I am glad that more and more people around the world are reluctant to fight wars, foreign or otherwise.

James W. O'Sullivan,
president,
Obil Investment Management,
1248 Post Road,
Fairfield, CT 06430, US

Rebalancing global labour

From V. Anantha-Nageswaran.

Sir, The US Federal Reserve is concerned about the unsustainable pace of demand for labour in the US economy. Europe suffers from inadequate demand. A fundamentally sound way to tackle this problem is to be more open about immigration. What better time for the US to be less paranoid about it than when the unemployment rate is at 4.4 per cent and skill shortage is acute in most areas?

Europe could use immigration of skilled labour to catch up with the US on the technology front and, at the same time, realise the demand potential latent in the simple fact that there are more human beings with more material needs around.

Advanced economies see only global trade and capital flows liberalisation as beneficial to them. Labour immigration, though politically sensitive, could be equally profitable domestically, while it serves to rebalance global demand.

V. Anantha-Nageswaran,
Investment Analysis,
Credit Suisse Private Banking,
8021 Zurich, Switzerland

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'), e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

Gadaffi's big gamble

Libya's leader haggled hard to minimise risks arising from any trial of the Lockerbie suspects. Now he can contemplate international rehabilitation, says Roula Khalaf

Muammer Gadaffi has always fancied himself as the revolutionary leader of an Arab nation. The handing over yesterday of two suspected terrorists for trial in the Netherlands marks the collapse of that ambition.

The Libyan president's decision to co-operate at last with with the United Nations follows his general retreat from the sponsorship or backing of terrorist groups. It also shows the effect of lower oil prices: wider economic co-operation is now vital for Libya's development.

Even so, negotiating a deal to extradite those suspected of the Lockerbie bombing was by no means easy. It took the US and Britain, through intermediaries, many months to convince Col Gadaffi that the main object was not to undermine his regime, but only to try the two Libyan agents accused of the 1988 bombing of Pan Am flight 103 over the Scottish town of Lockerbie.

The intense diplomacy led by South Africa, Saudi Arabia, Egypt and the United Nations secretary-general Kofi Annan to reassure the Libyan leaderwas key to the handover of the two suspects. The surrender of the suspects – Abdel Basset Ali Mohamed al-Megrahi and Lamen Khalifa Fhimah – marks the beginning of the resolution of one of the UN's most difficult cases.

Gadaffi may have feared the proposed deal was a trap — Reuters

As recently as last summer, the prospect of bringing the suspects to trial seemed remote. The UN sanctions first imposed on Libya in 1992 to force it to surrender the agents were beginning to crumble. The Arab League was calling for the sanctions to be lifted and African countries had voted last June to ignore the flight ban, and began landing their jets in Tripoli. Meanwhile, interest in doing business with Libya was growing, particularly in Italy, France and Spain.

The key to resurrecting the Lockerbie case was the US and British decision – in a UN resolution last August – to agree to Col Gaddafi's long-standing proposal that the two suspects be tried in a neutral country rather than in Scotland. The trial will now take place in the Netherlands under Scottish law and by Scottish judges.

Diplomats credit Britain with taking the lead on the policy change and say the UK also wanted to improve relations with the Arab world.

Offers poured in from countries willing to mediate and to convince Tripoli

The concession put the Libyan leader on the spot. Arab countries praised it and began asking Libya to comply. Offers poured in from countries willing to mediate and to convince Tripoli of the benefits of compliance. Col Gaddafi had plenty of incentive to agree a deal he had, after all, proposed. With oil prices falling, the sanctions on Libya, although far from the comprehensive embargo imposed on Iraq, were biting. Money was running out.

The sanctions did not ban the sale of oil, more or less Libya's only source of foreign exchange income. But by banning travel, arms sales, purchases of some oil equipment and a freeze on certain assets, the sanctions deprived the oil industry of much-needed development and complicated management of the economy by raising the cost of most transactions.

Long-standing allegations that Col Gadaffi sponsored terrorism had also waned. Promises of a boost in trade ties with Paris had led him to co-operate with French judges over the bombing of a French UTA airliner over Niger in 1989. Last month, a trial in absentia found six Libyan officials, including Col Gadaffi's brother-in-law, guilty of the bombing. France expects Libya to imprison the officials and compensate their families.

But Lockerbie still made Col Gadaffi nervous. "He was afraid it was a trap," explains a UK official. "There was a great gap of mistrust and it took countries with good relations with Libya to tell him he could trust the British [and the Americans]."

The Libyan leader's fears, say diplomats, were that the trial would be turned into an instrument through which more charges could be brought against Libya, and specifically against him. Col Gadaffi was also worried that the US and Britain would find reasons to reimpose sanctions, which would be suspended but not lifted at the time of the handover.

Another UN crisis was giving Col Gadaffi little comfort. As he pondered compliance, Col Gadaffi watched with alarm as Iraq was asked to fulfil UN resolution requirements while also being told that the US would not agree to lift UN sanctions imposed on it since the 1990-1991 Gulf war as long as President Saddam Hussein remained in power.

However, although that played a part in the negotiations, it was made apparent that the situation was different and that the requirements on Libya were both very clear and very limited.

Through intermediaries, Col Gadaffi was given reassurances that the UN would be ready to monitor the process of the trial and that it and other international organisations could have unlimited right of access to the two suspects to ensure that they were not being questioned by US and British intelligence.

Britain told Col Gadaffi that it did not envisage calling witnesses from Libya and that anyone appearing would have immunity from arrest. The evidence, he was told, was only against the two suspects.

The Libyan leader was also assured that a reimposition of UN sanctions, would require a vote by the security council. He was told that members of the council would never agree to such a move, even if the US and Britain wanted it

Col Gadaffi will not be sure until the trial is over that damning evidence will not come out to implicate him or his government. But having bargained hard to minimise the risk of handing over the agents, he can now begin to contemplate Libya's rehabilitation in the international community – and, more important, the benefits of trade.

هكذا من الاصل

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday April 6 1999

Asia's shallow recovery

The crisis-hit tiger economies of South Korea, Malaysia, Indonesia and Thailand appear to be gathering strength. Not only have financial markets stabilised, but there is positive economic news too; output growth this year is forecast to be vastly improved on last year, with Thailand, South Korea and perhaps Malaysia likely to see a return to growth. But does this recovery run deeper than the surface?

The main reason for the rosier economic outlook is an expected recovery in domestic demand, driven by loose fiscal and monetary policies. There is some evidence for this already; in Korea, for instance, wholesale and retail sales rose by 7.3 per cent year on year in February.

But the improvements in domestic demand are partly temporary, as consumers spend some of the savings they built up during the crisis, and catch up on essential purchases they have had to delay. As the year goes on, rising unemployment will discourage spending. And looking further ahead, as recent behaviour in the Japanese bond markets has shown, high levels of government borrowing cannot go on indefinitely without the markets taking fright.

If consumption does slump again, there may be no other sources of growth to take its place. The combination of excess industrial capacity with a high level of corporate indebtedness means that demand for investment is likely to remain low – even assuming that the banks are ready to make new loans. And substantial export-led growth will not be possible while there is slow growth both in the region and worldwide.

Full recovery also requires completion of massive structural reforms to the banking and corporate sectors, and the debt restructuring programmes. The Asian crisis economies are, in the main, moving in the right direction, but reforms are really only in the early stages. As the economies move out of immediate danger and into a gradual and difficult period of recovery, it is conceivable that the sense of urgency could be lost, and complacency could set in.

The risk of disruption to the reform process is worsened by the political uncertainties that are re-emerging in the region. These are most obvious in Indonesia, where preparations for June's elections are dominating the government's thinking and inhibiting action. But politicians will be under pressure in all the crisis countries, as unemployment rises and the population becomes increasingly impatient to see the benefits of recovery.

And the weakness of the Japanese and Chinese economies means there is still a risk of a slide in the yen or a devaluation in the yuan; either event could undermine regional currency stability, and force up interest rates again.

There is no quick escape route from Asia's complex economic problems. It will be at least a couple of years before these economies can operate normally again; at worst, delayed reform could mean that problems linger for another decade. Even in the best-case scenario, though, it is difficult to see how the tiger economies can achieve the virtuous circle of high growth, high investment and high employment they enjoyed before crisis struck.

Lockerbie trial

The trial of the two Libyans suspected of bombing the Pan Am flight that exploded over Lockerbie in Scotland in 1988 will serve two main purposes. The first is the ordinary demand of justice. Whatever the outcome of the trial, relatives of the 270 victims will at last be able to see the evidence that took three years and £8m to collect.

Second, it will be an important step in the international campaign against terrorism. The decision by Muammer Gadaffi, Libya's president, to surrender the suspects for trial in the Netherlands is the result of seven years of United Nations sanctions and intense diplomatic activity.

It may be that the controversial US bombing raids on Libya in 1986, in which Mr Gadaffi's adopted daughter was killed, helped to persuade him to move away from terrorism. But there is no doubt that a proper trial of suspects sends a very much better message to the world.

The handover of the suspects will be welcomed in the Arab world. It will also help to improve the tarnished image of the US and Britain, which are thought in the region to have taken too hard a line against Iraq. Another welcome effect will be to improve the credibility of the UN, which has been damaged by the differences in the security council over policy towards Iraq.

The successful conclusion of an eight-year campaign to have the suspects extradited was helped by the sensible decision of the UK and US governments to allow the trial to take place (under Scottish law) in a third country. This concession to one of Mr Gadaffi's demands allowed negotiations to be reopened with the help of Nelson Mandela, South Africa's president, and of Saudi Arabia.

It will not be clear until the trial is over what kind of deal has been done with Libya. It is generally assumed that the suspects – if guilty – would have been acting under instructions from Tripoli. But evidence for this may prove elusive. Last month a Paris court convicted six Libyan secret-service agents in absentia for the September 1989 mid-air bombing of a French UTA flight with 170 people on board. Those agents will probably never go to prison. Nor was it proved whether they were acting under orders.

But the Paris trial at least helped to show terrorism for what it is: unheroic, loathsome and ineffective. Whatever the outcome of the Lockerbie trial, that must be its message.

Euro-slide

Good money drives down bad. Since its triumphant launch on January 4, the euro has plunged almost 10 per cent against the US dollar, and 4 per cent on a trade-weighted basis. At its birth, one euro bought $1.18. Yesterday, in Asia, it was bumping along at $1.07. Does this matter? And what does it say about economic health in the euro-zone?

Wim Duisenberg, president of the European Central Bank, says that he is not bothered about a weak euro. However, it can hardly be good for morale in Frankfurt. So much for the talk of a strong euro knocking the hegemonic dollar off its perch. If the euro keeps sliding, it could even reach parity with the dollar. The optimistic rise that followed the departure of Oskar Lafontaine from the German finance ministry was short-lived.

However, for struggling industry in the anaemic economy of continental Europe, a soft euro at least provides some relief. The European Commission warned last week that it would have to cut its euro-zone growth forecast of 2.4 per cent this year, citing weaker business confidence and investment, and weaker industrial output than previously expected. With a strong euro, the outlook would be worse.

The euro's slide has occured despite a growing current account surplus in the euro-zone, and a whopping current account deficit in the US. Other things being equal, this should be expected to lead to a strengthening of the euro.

Other things are not equal. The US deficit reflects strong domestic demand. The US economy has weathered the Asian, Latin American and Russian storms with strong growth. By sucking in exports, it is helping recovery in emerging markets, and providing relief to Japan.

The European current account surplus is a sign of weakness not of strength. It is the result of sickly European consumer demand and investment, which in stark contrast with the US, have depressed growth prospects. It is of no help to emerging markets, and could make already bubbling trade tensions boil over.

Europe needs serious structural reform to remove the stranglehold on business and to free up labour markets. It also needs an interest rate cut to stir animal spirits and provide a shot in the arm for depressed European business. The interest rate bit is the ECB's job. It should cut rates significantly. A quarter point will not restore the confidence that accompanied the brave launch of the new European currency.

In search of a soul for Europe

Romano Prodi aims to lead a strong EU team, write Peter Norman, Lionel Barber and James Blitz

For Romano Prodi, it has all come a little bit too soon. Two weeks ago, he was just another former Italian prime minister, albeit one making waves in domestic politics ahead of June's European elections and with the added allure of being a likely candidate for the European commission presidency.

Then, at their Berlin summit on March 24, the European Union's leaders nominated the chubby, bespectacled 59-year-old former economics professor to succeed Jacques Santer as commission president and rescue the EU's executive from the crisis triggered by last month's mass resignation of 20 commissioners.

Mr Prodi admits he was surprised to be offered the job that day. "I had no idea," he says. "Chirac [the French president] told me the day before that Schröder [the German chancellor] wanted an early decision because the situation of the commission was so messy. But he didn't say it would be decided the following day."

Now all eyes are on Mr Prodi to see what his plans are for Europe and the commission. But Mr Prodi, interviewed last week in his small and sober parliamentarian's office in Rome, had other things on his mind. He had just returned from electioneering in Palermo, in the south. Should he, or should he not, stand as a candidate for the European Parliament elections in June?

Mr Prodi is on the horns of a dilemma. All his life "has been dedicated to Europe", he says. "I should never be forgiven if I said no [to the commission job]. It is the first opportunity for a generation that Italy has had to obtain such a job. I have a moral duty to my country to take it".

And yet Mr Prodi is reluctant to drop all immediately and head for Brussels. For the man who is credited with having guided Italy into the euro now heads a new centrist political movement.

He is in a good position to strengthen its domestic political base in opposition to Massimo D'Alema, the Italian prime minister. Mr Prodi has long suspected Mr D'Alema of engineering the downfall of his government last October and of promoting him as a candidate for the Brussels job to banish him from the Italian political scene. It is widely believed in Italy that Mr Prodi wants to stand in the European elections to wreak revenge on Mr D'Alema. When asked about his relations with the present prime minister, he crumples into embarrassed laughter and asks: "Is this an interview or a confessional?"

However, he insists, "there is no legal impediment, prohibition or incompatibility" in running for the European Parliament as designated commission president. Indeed, there are "many who say it would be positive if the commission president could pass some kind of democratic test".

But Mr Prodi's dilemma is just a minor foretaste of the complexities he will face as commission president.

He has been nominated for a job as difficult as that of any world leader. During the past 15 years the commission has swung from hubris to humiliation. Under the autocratic sway of Jacques Delors, it grew greatly in power and prestige, launching the EU's single market programme, the plans for the single currency and a host of often badly managed operations to prop up the former communist countries of eastern Europe. Last month, after a damning independent report into charges of mismanagement, fraud and nepotism sharply criticised the lack of any sense of responsibility in the unelected body, Mr Santer and his fellow commissioners quit.

Mr Prodi acknowledged that the "parliament, public opinion and some governments such as the British" have high expectations that he will reform the discredited Brussels executive to make it more efficient and accountable. He is also aware people will be looking to him for a vision of 21st century Europe.

Although he says he needs "proper time to discuss the commission, to make plans, to prepare everything", he has already made one decision. He is determined to use the "mutual veto right" conferred by reforms in the EU's Amsterdam Treaty to assemble "a high-level team" of commissioners in consultation with the member states' governments.

Mr Prodi's goal is to ensure that governments no longer send political lightweights to Brussels for domestic political reasons. He talked of "organising the commission with top men [and throughout the interview, Mr Prodi speaks of men rather than people] for the top jobs."

He has not yet discussed names, but is confident that "the time of sending lame ducks to Brussels is over". And if not? "I would have a duty to say no, if there was a threat to the standing or image of the commission".

He does not rule out the reappointment of some members of the Santer commission, which continues to function in a caretaker capacity. "Why not?" he asks. "There are high-level men and men of integrity too. There have been unjustified, over-generalised judgments about the commission".

Although Mr Prodi forecasts "differences of view and differences of opinion" with member states over the nominations of commissioners, he underlines his wish to work well with the other EU institutions. "The commission is just one of the strong components of the European Union. The council [where the member states make their decisions on the EU], the commission and the parliament must go together. That is why it is so important to have a relationship with the parliament."

'We must have a Europe that is closer to the citizens and more efficient'

He says the commission would have to be restructured to improve its performance. "But you don't go in there as McKinsey man," he says, referring to the US management consultancy.

"The commission must be concentrated on strategic aims," he adds. "It must be the guardian of the [EU] treaties; responsible for legislative initiative – that is of enormous importance. And it is not to go organising all those teeny, tiny projects." In some research programmes, "the cost of bureaucracy is as much as the aid handed out," he says.

But for Mr Prodi, the commission has a bigger, more vital role to play. He hopes that during his presidency the EU will begin to develop what he calls "a common European soul". For that "you need a very high, top level commission, not in terms of bureaucracy, but in terms of common feeling and understanding of what is happening".

In his view, the nature of the European Union and the position of its member states changed fundamentally with the introduction of the euro at the beginning of this year.

"In the longer view, we have started a new chapter in the structure of Europe," he says. "The euro was not just a bankers' decision or a technical decision. It was a decision that completely changed the nature of the nation states. The pillars of the nation state are the sword and the currency and we changed that. The euro decision changed the concept of the nation state and we have to go beyond that."

His "real goal" as commission president is to draw on "the consequences of the single currency and create a political Europe".

In practical terms, that means pressing on with the existing projects for enlarging the EU to the east, developing its common foreign and security policies and enhancing co-operation among member states in justice and home affairs.

It must be the commission's job to co-ordinate big policies, such as the EU "Balkan initiative", which he proposed last week to bring peace to the region after the war with Yugoslavia.

By contrast, Mr Prodi believes the commission has only a limited role in the battle against unemployment. "We need to take some measures but not many at the European level. Europe is more the level at which policies are co-ordinated".

Subsidiarity, the idea that decisions should be taken as close to Europe's citizens as possible, plays an important part in Mr Prodi's thinking. "We must have a Europe that is closer to the citizens and more efficient," he says. But enlargement will force radical changes at the top of the commission and the way Europe makes decisions.

"You can manage with 20 commissioners, with some problems. But it is clear that you cannot have a proper commission with 25 to 30 commissioners.

Similarly – and this is a sensitive point – you cannot go on with a national veto right in an EU of 25 to 30 countries. You have to keep in mind the issue of representation of smaller countries. But there is also a need for proper decisions."

Going beyond this, "it is important to have some common will, a common European soul". This, he says, will "not be easy to get in five years time [the length of a commission presidency]. But you have to get over the message."

But is there not a danger that such ideals could run ahead of public opinion and the views of the member states? "There is always a contradiction in Europe. On the one hand, there is scepticism, on the other, demand for common action," he replies. "In my experience of the European Council [the EU leaders' summits], the idea of the importance of Europe is shared much more than you might think."

Will Mr Prodi reserve a place at the June European Council Meeting in Cologne, which is due to discuss a programme of EU institutional reforms to prepare the union for enlargement? Attending the council on June 3-4 might be difficult if he were campaigning for the European Parliament elections later that month.

He hesitates. "If requested, then of course I will go," he says. "But this job needs time – time in terms of knowledge and looking at the compatibilities of candidates for the commission and making your choice. If I go to Cologne it will be more to listen than to act."

His objective "is to start with a strong commission, clear programmes and clear powers" to take decisions. "It is more important to get that right than to rush ahead."

But he needs to be aware that strong commission presidents in the past have exercised most power with the backing of EU heads of government in the European Council.

OBSERVER

Open House at the ANC

Plenty of political parties think of themselves as broad churches. But South Africa's ruling African National Congress looks ready to set new records for breaking down the barriers.

With elections only two months away, the party is welcoming a rush of new converts – mainly from its old foe, the New National party, which once upon a time ran the apartheid state.

These days the NNP is struggling under its colourless leader, Marthinus van Schalkwyk, and isn't expected to keep control of its Western Cape power base. So it's none too surprising that among the ANC's NNP haul is Patrick McKenzie, a Western Cape bigwig who's been very rude about his new party in the past. Politicians from liberal and radical parties are also hurrying to join the ANC bandwagon.

And some of the high-profile arrivals have high hopes. McKenzie's already talking about "plugging in to the power", although ANC stalwarts will be brassed off if their path to the top is blocked by former enemies. The ministerial juggling will be worth watching.

Friends in need

If you're a democrat in the Republika Srpska, the Serb-controlled part of Bosnia-Hercegovina, you probably need all the friends you can get.

But it's still a touch surprising to see Rajko Vasic, beleaguered Bosnian Serb democrat and information minister for Republika Srpska, sitting in his office in Banja Luka and sporting a tie bearing the red hand of Ulster.

While the red hand is a symbol deeply beloved by some of the more sectarian Protestant elements in Northern Ireland – don't confuse the Red Hand Commandos with the Red Hand Defenders – Vasic plays down his choice of neckware. He says he just happened to get it as a gift and his wife thought it was a perfect match for one of his shirts.

On the other hand, he's quite amused to learn that militant Protestants at one of those dogged standoffs last year had taken to waving a Serb flag to demonstrate international solidarity. Nor does he seem very upset that there will be parts of the British Isles where the tie might bring on a choking fit.

Forwards march

There's been nothing like it since German and British troops took time out from killing each other during the first world war to kick a ball backwards and forwards on Christmas Day. Vietnam and the Philippines have agreed to let their troops garrisoned in the Spratly Islands play soccer against each other.

The islands, a collection of more than 200 potentially oil-rich reefs and islets spread out across the South China Sea, are at the heart of a longstanding dispute over territorial rights involving several nations in the region. But the Philippine defence department said yesterday that matches were being arranged between its own men and Vietnamese troops "to help promote confidence" in the disputed area.

Defence secretary Orlando Mercado put the idea to Vietnamese president Tran Duc Luong last week and he's said to have readily agreed. The first match is likely to be held on Pagasa island – occupied by Philippine troops – followed by a rematch to be held later in the year in Hanoi. No word yet from China, which claims all the islands, on whether it fancies occupying a football pitch for 90 minutes.

Tokyo bull

Venture Safenet, a Tokyo engineering company, welcomed its new employees with a bit of bull last week.

While most Japanese companies use more staid ceremonies to kick off the new fiscal year, Venture Safenet hosted Japan's first bullfight, complete with company president Fusao Sekiguchi in a gold matador's costume.

To pull off the spectacle, staged in a city sports arena, the company coughed up $1.7m importing bulls from Mexico and a pair of matadors from Spain.

Of course, it fell a little short of the full Latin experience. Responding to protests from animal rights groups, the matadors did their magic without using swords and drew no blood from the bulls. No word either on whether organisers put tequila in the office watercoolers.

Ratted

Irish police were patting themselves on the back yesterday after swooping on a remote distillery producing poteen, an illegal liquor that comes in handy as a substitute rocket fuel. Senior officers in County Donegal are calling the raid – it uncovered 70 gallons of the stuff – the most significant strike against bootleggers in more than 20 years.

But this particular consignment, it seems, had more body than most. Peering inside several of the open-topped barrels, the police found several dead rats. Inspector Greg Sullivan, who reckons the little scoundrels probably fell in, says their presence should be a warning to anyone "not to touch the stuff".

But if you must? Throw the meat away and just drink the gravy.

The Financial Times

100 years ago

Yankee Whisky War
The whisky trade is at present largely controlled by two huge trusts, and a new combine to be known as the Wine and Spirit Trading Corporation has been formed to fight the two trusts. We are credibly informed that this corporation will have a capital of $1,000,000 in stock and $1,500,000 in bonds. The stock will be sold only to dealers, and it will be fully paid up. It is anticipated that at least 700 retail dealers will join the company, which will not, of course, touch the goods of the two existing trusts. If necessary the corporation will acquire an independent distillery.

50 years ago

Mont Blanc Tunnel
Rome, April 5. The construction of a tunnel over eight miles long beneath Mont Blanc will start shortly. The tunnel will form a new link between Italy, Switzerland and France and will carry a two-lane auto-road. The cost, estimated at Swiss Frs. 60m, will be shared by the three countries. The new tunnel will be built by Italians working from both ends in three years.

FINANCIAL TIMES

TUESDAY APRIL 6 1999

THE LEX COLUMN

Japan's jaded recovery

Is there finally light at the end of the tunnel for Japan's groaning economy? The omens are less apocalyptic than they were. Take yesterday's Tankan survey of business confidence. This registered a small recovery in sentiment – not much in itself, but a welcome change after almost two years of consistent falls.

There is an argument for saying some sectors of the economy are bottoming out. But it is worth asking how this can be. Japanese consumers are not responsible; domestic consumption is actually falling. So is capital spending, as companies burn off the excess capacity that bedevils the economy. There is no evidence the shortfall is being recouped through higher exports.

The main prop is the government. By injecting funds into the banking system, it has eased the credit drought afflicting Japanese companies. At the same time, its fiscal stimulus programme has led to an ascending programme of public works. Hence the recovery in problem sectors such as construction.

But it is worth asking how much longer this can go on. The government's actions have temporarily stabilised, not cured, the economy's ills. Companies are using the respite to accelerate restructuring, which will in the short term lead to lower capital spending, higher unemployment and further downward pressure on consumer spending. The government cannot forever play the spender of last resort in Japan's economic crisis.

Philips

Philips is changing shape fast under Cor Boonstra, its president. It has sold more than 40 businesses since the beginning of 1996. And the raft of exceptional charges – some estimate they average €350m a year over the past decade – bears witness to the ongoing overhaul of the company.

Amid all this change, investors should focus on two issues. First, semiconductors. This business has escaped the ravages of Philips' peers because of its relatively low exposure to memory chips. But because of this, Philips may benefit less than its rivals from the expected upswing in the semiconductor market. Still, Philips' $777m offer for VLSI Technology looks promising. If the bid succeeds, VLSI would extend Philips' reach into new technologies, such as "system-on-a-chip", used in mobile phones. Even if it has to raise the offer a touch from the current 1.4 times VLSI's sales, the price looks worth paying.

Second, Philips has to explain how it will turn around its loss-making mobile phones business. It would help its case if it gave the market dates and targets for this. The worry is that Philips has fallen too far behind in a market where Ericsson and Nokia are romping ahead. Longer term, Philips may come under pressure to defend a structure that still includes lighting and medical systems. But with the company's balance sheet groaning with cash, this is one debate it can postpone.

Philips
Share price relative to the FTSE Eurotop 300 index

Source: Datastream/ICV

Citigroup

In the year since the merger of Travelers and Citicorp was announced, the verdict on Citigroup has veered from euphoria to depression. The current view, more rationally, appears to be moderately optimistic. The extravagant promises of cross-selling benefits on the retail side have yet to be delivered. But Citi's flourishing credit card business – and cost-cutting – have furnished welcome, if more prosaic, gains.

Encouragingly, Citigroup is laying to rest early doubts about the integration of its corporate and investment banking businesses. Citi's corporate side and Salomon Smith Barney seem to be melding well. Citi's staider but more efficient management approach is paying dividends. And there is even a sniff of revenue synergies. For instance, Citi's dominant position in foreign exchange and derivatives is helping Salomon's bond business close in on Merrill Lynch's top slot in global underwriting. Aided by favourable markets and stricter cost controls at Salomon's European operation, the result should be much improved first quarter earnings.

The weak spot is mergers and acquisitions. If the group does not find a way of allowing a vibrant M&A practice to thrive within the inevitable bureaucracy of such a behemoth, it will lose follow-on business in the growing cross-border M&A market. Still, with the fruits of the integration just beginning to show, Citi's stock looks good value.

Commodities

Could rising commodity prices re-ignite inflation? US oil prices have jumped 40 per cent from their February low, wheat is 18 per cent higher and soybeans up 9 per cent. This has raised fears that an increase in commodity prices could rapidly feed through into higher consumer prices. Those worries look overdone. Most commodities remain depressed. Copper and cotton have dropped again after recent mini-rallies. Even oil's surge is from such a low base that its price remains below levels of a year ago. The benchmark Bridge/CRB futures index has gained just 5 per cent since hitting a 25-year low in February.

Even a 5 per cent gain would have been significant in the past. A rule of thumb that worked well between 1960 and 1990 was that a 10 per cent gain in commodity prices led to a 1 per cent increase in inflation. But that link has failed to hold this decade. Developed economies are now overwhelmingly service-based. Raw materials account for less than 10 per cent of producer prices, as measured by inflation indices such as the US PPI.

That does not mean investors can afford to ignore commodity prices altogether. They do increase industry's costs. And central banks use them as leading indicators, so they can influence monetary policy. But while economic growth outside the US remains so sluggish, a sustained rise in commodity prices and resultant inflation seem unlikely.

Japanese companies show a slight rise in confidence

By Paul Abrahams in Tokyo

Japanese business sentiment improved for the first time in nearly two years, according to the Bank of Japan's latest quarterly "Tankan" survey published yesterday.

However, the recovery was marginal, underlining the severity of the country's longest recession on record.

The survey showed that for every 100 companies that were optimistic, 147 were pessimistic. That compared with 149 in January, which was the gloomiest report in nearly five years.

The results were in line with expectations following the Y40,000bn ($333bn) worth of public spending packages last fiscal year. Some analysts claimed the data, collected from nearly 10,000 companies, indicated the economy was bottoming out. However, others warned that this was a pause and the economy could suffer a double-dip recession.

The benchmark Nikkei 225 index initially jumped 2 per cent on relief that the data were not worse, but then fell back. It ended the day up just 0.3 per cent at 16,334.

The authorities played down the slight improvement. Shosaku Murayama, director general of the research and statistics bureau of the Bank of Japan, warned that the central bank was unable to say whether the report pointed to any recovery.

A combination of falling capital spending, weakening consumer demand and falling exports have undermined the government's efforts to bolster the economy, which has contracted for five consecutive quarters.

Disappointing economic data for February published in the past week have prompted some economists to cut their forecasts for Japan's economic growth in the current fiscal year to March 31, 2000.

Barclays Capital expects a contraction of 1.9 per cent, against a 0.9 per cent fall previously. Dai-ichi Kangyo Research Institute, research arm of the Japanese bank, yesterday said it expected gross domestic product to fall 0.7 per cent. The government has promised a rise of 0.5 per cent.

Taichi Sakaiya, minister at the Economic Planning Agency, warned over the weekend that the unemployment rate could climb from its current 4.6 per cent to as high as 5.2 per cent in the coming months. He said the jobless rate had a tendency to rise as an economy bottoms out.

Rising unemployment, cuts in overtime and bonuses, continue to feed through into shaky private consumption. Data released yesterday showed household spending in February fell 3.8 per cent year on year – disappointing given a 1.4 per cent rise in January. The propensity to spend, measured as a proportion of household income, fell from 70.9 per cent to 67.8 per cent, the lowest since 1970 when records began.

The "Tankan" showed that companies remained cautious about sales growth and were likely to cut capital spending and hiring, warned Mr Murayama. The companies surveyed expect to cut capital investment by 13 per cent this fiscal year.

Editorial Comment, Page 13
Lex, Page 14

Chinese PM is ready for some flak on fence-mending US visit

By James Kynge in Beijing

Zhu Rongji, the Chinese premier, travels to the US today prepared to answer a barrage of criticism on a talk show and display his populist style with a visit to a farm and a Denver ballgame.

But China is offering more than public relations stunts to repair badly damaged relations with the US. Official Chinese media yesterday announced that four foreign insurance companies, including the Chubb Group of Insurance Companies and the John Hancock Mutual Life Insurance Company of the US, would be granted licences to operate in China.

Prudential Corporation of the UK and Sun Life Assurance company of Canada, Mr Zhu's next stop after the US, were also awarded licences.

The approval of foreign insurers appeared to be an attempt to address criticisms that China's market remains too restrictive.

About 10 foreign insurance companies operate in China, but they are limited to the cities of Shanghai and Guangzhou and all but two are restricted to a 50 per cent stake in joint ventures. China is, however, considering further relaxing curbs on foreign insurers' access to its market as part of intense negotiations to enter the World Trade Organisation.

Long Yongtu, the top Chinese WTO negotiator, was in Washington yesterday pursuing an 11th-hour attempt to thrash out some sort of a deal in time for Mr Zhu's visit.

If the US and China are able to announce a WTO deal, or even a framework accord, it could reverse a tide of US attacks on Beijing.

In recent weeks, hostility has been fuelled by charges that Beijing stole US nuclear secrets and by hefty sentences on Chinese dissidents, repression in Tibet and Chinese opposition to Nato's air strikes on Yugoslavia.

Without demonstrable progress on the WTO issue, the pressure on Mr Zhu's personal skills will intensify.

He is scheduled to appear on the PBS talk show NewsHour and, speaking through an interpreter, will be open to all questions, Chinese officials said. In China, Mr Zhu is lionised for his communication skills. He is straightforward and humorous in speech – characteristics that set him apart from his more wooden colleagues at the pinnacle of Communist power. But Mr Zhu's trip to the US, which ends on April 14, is still a risk, given the gulf between mainstream US opinion and Beijing's unyielding stance on a range of issues.

China says criticisms of its human rights record represent interference in its internal affairs. It attacks the Dalai Lama as a separatist and official Chinese newspaper cartoonists have recently given President Bill Clinton a Hitler-style moustache to protest against the Nato bombings of Yugoslavia

One potential embarrassment for Mr Zhu was postponed yesterday when Wang Xizhe, the exiled Chinese dissident, was stranded in Thailand after he failed in an attempt to return home to pay his respects to his dead father.

Letters, Page 12

CONTENTS

FT.com
FINANCIAL TIMES

Directory of online services via FT Electronic Publishing

FT.com: the Financial Times web site; online news, comment and analysis.
http://www.FT.com

The Global Archive: an easy-to-use business library of over 3.5 million articles from the FT and from thousands of other leading newspapers and business publications.
http://www.FT.com/globarchive

Newspaper subscriptions: information, offers and online ordering.
http://www.ft.com/newspaper/subscribe.htm

FT Annual Reports Service: online ordering of annual or interim reports and accounts of 1200 UK plcs
http://www.ft.com/newspaper/222a.htm

FT Group: directory
http://www.ft.com/aboutfamily.htm

Cityline: how to get share prices and market reports by telephone and faxback.
http://www.ft.com/newspaper/2176.htm

Surveys: details of forthcoming editorial surveys.
http://www.ft.com/newspaper/2366.htm

Tibetan Youth Congress members in New Delhi demand the release of the eight-year-old Panchen Lama, the second in the hierarchy of Tibetan religious leaders, who is being held by the Chinese. Picture: AP

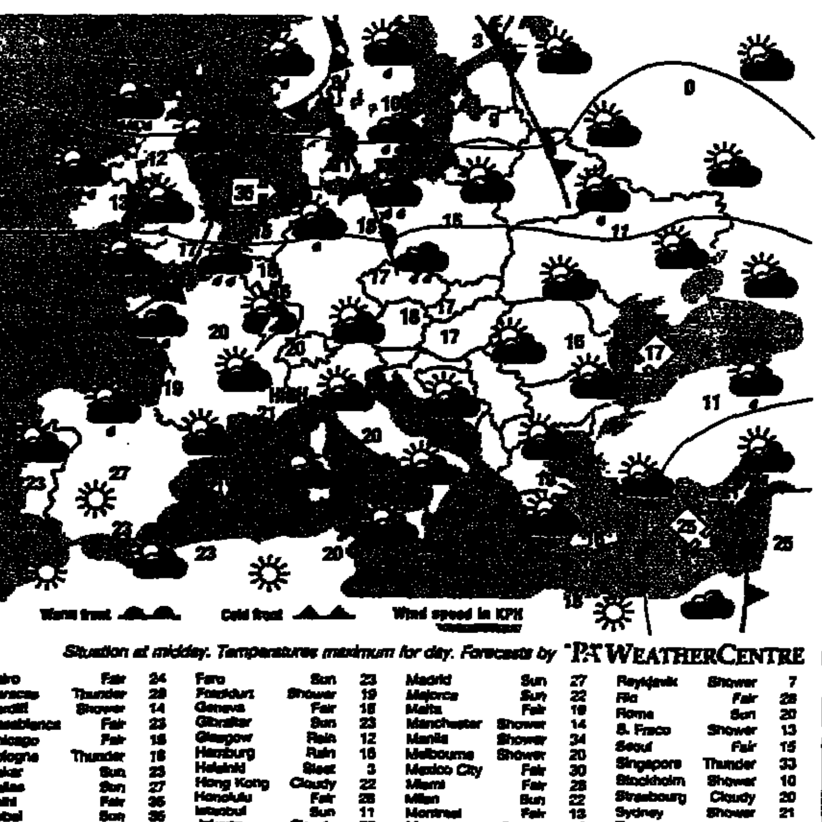
FT WEATHER GUIDE

Europe today

There will be showers over Scandinavia, mostly near the west coast. The Low Countries will have rain at times, but over Germany the rain will turn increasingly showery. From Switzerland to Austria, it will be dry with variable cloud and some sunshine. Northern France will be wet and overcast, but, away from the north coast, the rain will give way to sunshine and showers. South of the Auvergne, it should be dry and mainly sunny. Some showers are likely in northern Spain and Cyprus.

Five-day forecast

Northern Europe will stay unsettled with showers or steady rain. Rain over northern France will move southwards into northern Italy, developing into a large showery area. Over the next few days, this will drift south to Sicily and eastwards towards Greece.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	35
Accra	Sun	31
Algiers	Sun	28
Amsterdam	Shower	15
Athens	Fair	19
Atlanta	Thunder	19
B. Aires	Fair	21
B.ham	Shower	15
Bangkok	Shower	36
Barcelona	Sun	20
Beijing	Fair	19
Belfast	Shower	13
Belgrade	Fair	22
Berlin	Shower	18
Bermuda	Shower	20
Bogota	Cloudy	21
Bombay	Sun	34
Brussels	Shower	16
Budapest	Fair	21
C.hagen	Shower	11
Cairo	Fair	24
Caracas	Thunder	28
Cardiff	Shower	14
Casablanca	Fair	23
Chicago	Fair	16
Cologne	Thunder	18
Dakar	Sun	23
Dallas	Sun	27
Delhi	Fair	36
Dubai	Sun	35
Dublin	Shower	13
Dubrovnik	Sun	21
Edinburgh	Rain	12
Faro	Sun	23
Frankfurt	Shower	19
Geneva	Fair	18
Gibraltar	Sun	23
Glasgow	Rain	12
Hamburg	Rain	16
Helsinki	Sleet	3
Hong Kong	Cloudy	22
Honolulu	Fair	28
Istanbul	Sun	11
Jakarta	Cloudy	32
Jersey	Rain	13
Johannesburg	Fair	26
Karachi	Sun	35
Kuwait	Sun	34
L. Angeles	Shower	16
Las Palmas	Fair	23
Lima	Fair	26
Lisbon	Sun	23
London	Rain	17
Lux.bourg	Shower	16
Lyon	Sun	22
Madeira	Fair	20
Madrid	Sun	27
Majorca	Sun	22
Malta	Fair	19
Manchester	Shower	14
Manila	Shower	34
Melbourne	Shower	20
Mexico City	Fair	30
Miami	Fair	28
Milan	Sun	22
Montreal	Fair	13
Moscow	Cloudy	0
Munich	Fair	19
Nairobi	Fair	28
Naples	Sun	20
Nassau	Fair	28
New York	Fair	15
Nice	Sun	18
Nicosia	Fair	21
Oslo	Shower	8
Paris	Shower	20
Perth	Sun	31
Prague	Shower	17
Rangoon	Fair	37
Reykjavik	Shower	7
Rio	Fair	28
Rome	Sun	20
S. Frsco	Shower	13
Seoul	Fair	15
Singapore	Thunder	33
Stockholm	Shower	10
Strasbourg	Cloudy	20
Sydney	Shower	21
Tangier	Sun	25
Tel Aviv	Sun	25
Tokyo	Rain	15
Toronto	Shower	17
Vancouver	Fair	12
Venice	Sun	19
Vienna	Fair	18
Warsaw	Shower	15
Washington	Rain	17
Wellington	Rain	19
Winnipeg	Sun	4
Zurich	Fair	19

هكذا من الاصل

FINANCIAL TIMES
COMPANIES & MARKETS

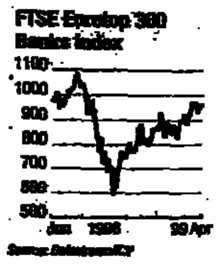
TUESDAY APRIL 6 1999 Week 14

INSIDE

SAS looks for sharp climb

Scandinavian Airlines System is a carrier in transit. The three-nation Nordic airline is mid-way through a physical and financial overhaul. From a distance it looks superficial. But Jan Stenberg, SAS's chief executive, says under the facelift is deeper surgery. "It may look like fine tuning . . . but five years from now SAS will be quite a different airline." Page 17

Mergers drag banks from abyss



Source: Datastream/ICV

European bank shares are back from the abyss they fell into last year. The recent mergers and acquisitions frenzy – although not the sole factor – has helped pull them out of their misery. But there are doubts about the sustainability of the momentum. Bank stocks rose by 10.8 per cent in the first quarter, outperforming the FTSE Eurotop 300 index by 47 per cent. Page 32

Japan's rice hagglers are reborn

Futures trading was born three centuries ago at a rice market in Osaka, as merchants haggled *over the price of rice. Despite this, commodity* trading has never inspired Japanese investors. But Japan *is trying to bolster commodity-related activities* as part of the deregulation of *investment trusts and the past 12 months have* seen sales of commodity funds surge. Page 22

Bombay falls on political turmoil

An attack of political jitters sent Bombay stocks steeply lower, slicing 4.5 per cent off the BSE-30 index which closed down 166.9 at 3,519.39. Fears that in-fighting in the governing coalition could delay implementation of the budget sparked a wave of selling. Page 32

Improving sentiment no help for yen

The US dollar continued to strengthen against the Japanese yen despite a more up-beat message from the latest Japanese business survey. The *Tankan* index showed the first rise in business sentiment for two years. Page 23

Corporate Chile takes Yankee bond

After nearly 10 months with barely a trickle of issuance, Chilean companies are returning to the Yankee bond market with up to \$2bn (€1.85bn) of deals in the pipeline. Emboldened by the government's proposed \$500m benchmark issue and encouraged by narrowing yield spreads, corporate leaders are working with US banks on marketing new debt. Page 16

Australia shrugs off commodity cuts

The Australian dollar is unperturbed by the reduction in the contract prices of coal and iron ore and the accompanying fall in Australian commodity price indices. The falls had already been discounted by currency traders. Page 22

COMPANIES IN THIS ISSUE

CROSSWORD, Page 22

MARKET STATISTICS

Paribas and SG dissent may emerge

Banks' boards vote today on BNP's hostile bid as splits begin to appear

By Samer Iskandar in Paris

The first sign of internal dissent may emerge today at Société Générale and Paribas as the banks' boards meet to vote on the two-pronged hostile bid for them by rival Banque Nationale de Paris.

The SG and Paribas boards expected to confirm their initial rejection of BNP's announcement last month. However, today's vote is likely to be less clear cut.

Although a majority of directors is still opposed to the hostile nature of the move, many support the industrial logic of merging France's largest listed banks.

BNP's unexpected attack on March 9 was a threat to a friendly merger between SG and Paribas agreed a month earlier. In the days after the hostile move, the boards of SG and Paribas rejected BNP's twin offers almost unanimously. Only Axa, the insurance company, which is Paribas' largest single shareholder and is represented on the boards of the three antagonists, supported BNP's initiative. Dissenters may become more vocal now that BNP's bids have cleared all regulatory hurdles.

In recent weeks, a number of bankers have come out in favour of BNP's proposal. The market has also reacted more favourably to BNP's move than to the initial SG-Paribas tie-up. But in the past week, SG shares rose above the parity offered by BNP, reflecting expectations that the targets' strong opposition would lead BNP to improve the terms of its offer. BNP is offering to exchange 11 of its shares for eight Paribas, and 15 BNP shares for seven SG. SG is offering five of its shares for eight Paribas.

Today's meetings follow last week's decision by the credit institutions committee, a regulator representing the treasury and the central bank, to allow BNP to proceed with its offers. The planned three-way merger is also implicitly supported by the authorities, which see it as a protection for French banks from potential foreign predators. The plan is supported by a number of analysts, who believe that combining the branch networks of two commercial banks, such as SG and BNP, offers greater synergies than a combination with a wholesale bank, such as Paribas.

The government and central bank have signalled they would prefer an agreement by the three banks. Jean-Claude Trichet, central bank governor, has tried unsuccessfully to persuade the heads of the three banks to meet. Dominique Strauss-Kahn, finance minister, has urged them to "find a common solution", citing the national interest.

Michel Pébereau, chairman of BNP, has said he is ready to negotiate. But Daniel Bouton, head of SG, and André Lévy-Lang, Paribas chairman, have consistently refused to negotiate with BNP.

Today's meetings will be closely watched by shareholders. It is difficult to compare the value of the offers, which involve share swaps and have no cash element.

Japan banks sold \$25bn of bad loans

By Gillian Tett in Tokyo

Japan's nine biggest commercial banks sold a record Y3,000bn (\$25bn) worth of bad loans in the year to March 31, as part of their restructuring.

The sales, which are three times those in fiscal 1997, include Y800bn of sales by the Bank of Tokyo Mitsubishi and Y460bn of sales by Dai-Ichi Kangyo Bank.

These are a small fraction of the bad loans which have dogged the Japanese banking sector in recent years. In fiscal 1998 alone, the biggest banks are believed to have made loan loss provisions for around Y10,000bn.

But the successful sales trend offers a hint that Japan is starting to tackle its long-running financial problems. Brian Waterhouse, analyst at HSBC Securities, said: "This volume is not enough, but it is good news – it's the right direction."

Although details of the loan sales remain secret, Japanese bank officials estimate about a third of them have involved foreign investors.

In particular, US investment banks such as Goldman Sachs and Morgan Stanley and opportunity funds such as Cerberus Capital Management and Lonestar are now scouring Japan for cheap investment opportunities.

Some Japanese newspapers have recently suggested the volume of foreign purchases of distressed assets could have risen to Y8,000bn in recent years. Aside from commercial banks, other companies, financial and otherwise, have recently been selling bad loans, real estate and other assets.

It remains unclear whether the commercial banks' sales will continue at the same pace, because the real estate market remains extremely weak.

Although precise price data are unavailable, industry analysts estimate the average sale price has dropped 20 per cent below value during the last year. A spokesman for BTM said: "We expect more sales this year, but it depends on the condition of the market."

The government is now pressing banks to remove their bad loans to boost Japan's ailing economy and real estate market. Last week, it established a public institution known as the Resolution Collection Corporation, which will be permitted to purchase bad loans from healthy banks and sell them on to other investors.

The government is also changing the tax and legal infrastructure to make it easier for private financial groups to set up companies to service debts. This prompted Orix, the country's largest leasing company, to announce last week that it would become one of the first large Japanese companies to establish a servicing subsidiary.

The Japanese government has never released data on the volume of bad loan sales.

Nissan president Yoshikazu Hanawa: after announcing a strategic deal with Renault last month, Nissan faces a shortfall in pension reserves Reuters

RENAULT DISCOVERS \$4.8BN UNDERFUNDING IN RUN UP TO STRATEGIC ALLIANCE

Nissan faces pensions shortfall

By Alexandra Harney in Tokyo

Nissan Motor, the troubled Japanese carmaker that signed a strategic alliance with Renault last month, has a Y580bn (\$4.8bn) shortfall in its pension reserves, according to the French carmaker.

The shortfall is significant because Nissan will be forced to record it as a liability on its balance sheet next year when changes in Japanese accounting principles come into effect. Renault said last week Nissan had \$19.9bn in interest-bearing liabilities, \$2.2bn more than earlier announced, including \$3.5bn in off balance sheet obligations.

It is further confirmation of the size of Nissan's financial problems, fed by quick and easy credit in Japan and rapid expansion overseas.

Renault, which calculated the pension liabilities as part of its due diligence on Nissan before spending Y643bn to buy a 36.8 per cent stake in the carmaker, said the underfunding would not be a problem because Nissan had sufficient latent gains on land holdings to offset the deficit. Analysts said that Renault estimated Nissan to have more than Y1,000bn in latent gains from real estate assets.

The shortfall in corporate pension schemes, exacerbated by the sharp fall in interest rates and previous restrictions on how those funds could be invested, has been the subject of great political debate recently. On top of proposals to fix the public pension system, politicians in the Liberal Democratic party and Liberal party are considering plans to allow companies to put their equity shareholdings into their pension funds or adopt a revised defined contribution plan such as the 401k programme in the US.

Japanese institutions are forming alliances, sometimes with international partners, to serve the evolving pensions market. Société Générale, the French bank, said yesterday it would participate in a joint venture being created by Nomura Securities and Industrial Bank of Japan.

Earlier this year, Toyota Motor revealed that its pension scheme was underfunded by Y300bn, nearly half the size of Nissan's shortfall. Analysts have warned that these calculations depend greatly on the rate used for investing funds. For many years, companies assumed a 5.5 per cent rate of return on pension reserve funds. Japanese government bonds, which were frequently used by pension fund managers, have not earned this rate of return since 1991.

Analysts said the 3 per cent discount rate Renault used was more reasonable. "It's believable. I think people are very comfortable with these numbers, and it is a way out of [the pension problem] for Renault," said Peter Boardman, analyst at Warburg Dillon Read.

Pensions joint venture, Page 17

Citigroup defends move from Visa to MasterCard

By John Authers in New York

Citigroup's consumer chiefs, talking for the first time about the company's shift of business away from the Visa credit card association to its rival MasterCard, say economies of scale were the main reason.

William Campbell, co-head of global consumer operations for Citigroup, said: "It's very unusual that the largest player doesn't get some economies of scale. We weren't choosing MasterCard versus Visa, we were choosing ourselves versus an association, and we were choosing the kind of relationship with our network which would reward economies of scale."

Other benefits for Citigroup, formed by the merger of Citicorp and Travelers Group, include the possibility of reviving the Diners Club card network, which it owns, with some form of co-branding with MasterCard.

Robert Lipp, the other co-head of Citigroup's global consumer business, said that such a card, might allow a "much more vibrant Diners Club product", which would be competitive in the market for travel and entertainment cards, currently dominated by American Express.

The move to MasterCard was also intended to boost the Citi brand name. According to Mr Campbell: "We have the relationship with the customer, we cherish that and want to nurture it and expand it. Therefore, we believe that our trademark should at least be dominant." But there had not yet been a decision over whether to move the MasterCard logo to the back of Citigroup's credit cards, a move which would require the consent of all MasterCard's directors. "We want the resource and the physical capability to build the brand ourselves. We don't hold MasterCard responsible for building Citi's brand," Mr Campbell said.

Citigroup is also testing the use of credit cards in "cross-selling" other products. Mr Lipp said: "The first effort there was to look at those credit card holders who were finding it difficult to make their payments, and essentially to try to restructure their debt using secured lending" offered by Citigroup's Commercial Credit Group.

Lex, Page 14
Problems fail to knock Citigroup off course, Page 18

SEC investigates Oechsle partner

By Clay Harris in London

The man placed on administrative leave during a US Securities and Exchange Commission investigation into trades in British Biotech, is a senior executive at Oechsle International Advisers, the fund management group involved.

Andrew Parlin is one of 14 principals – the equivalent of a general partner – and a member of the investment committee at Oechsle, which last week confirmed that the SEC was "conducting an inquiry into trades for accounts managed by a single portfolio manager", who had been placed on leave.

Oechsle's statement followed last week's fines by the London Stock Exchange of £250,000 (\$402,500) for ABN Amro Equities (UK) and £100,000 for Morgan Stanley Securities. The exchange said the Dutch and US groups had accepted orders that included the instruction to move a share price.

The breach of rules fell far short of the market "manipulation" cited in the exchange's previous disciplinary action against J.P. Morgan, the US investment bank that was fined £350,000 after two traders tried to influence the FTSE-100 index with last-minute trading in two shares.

Oechsle had \$12bn in assets under management last May, when Dresdner Bank sold its 65.8 per cent limited partnership interest in the group. The German bank bought its interest in 1989, three years after Walter Oechsle and other executives moved from Putnam Investments, another Boston-based fund manager, to establish the firm. In the 1998 deal, Oechsle's management nearly doubled its collective interest to 65 per cent, while Fleet Financial Group, the New England bank, took the other 35 per cent.

In its most recent disclosures to the London Stock Exchange, Oechsle said its holdings for discretionary clients was 10.27 per cent of British Biotech, the former flagship of the UK's biotechnology sector, nearly 6.3 per cent of Somerfield, the supermarket chain, and 3.18 per cent of Pilkington, the glass maker.

J-AVICO 150

BIG BANG FINANCIAL SECTOR PREPARES FOR LIBERALISATION

SocGen set for Japan pensions joint venture

By Naoko Nakamae and Gillian Tett in Tokyo

Société Générale, the French bank, said yesterday it *would participate in the* joint venture between Nomura Securities, Japan's largest securities house, and Industrial Bank of Japan in the US-style 401k pensions market.

Goldman Sachs, the US investment bank, confirmed it had been approached by IBJ and Nomura but said no firm decision had been taken about whether to take part.

The announcements come *amid a flurry of activity in* the financial sector ahead of the liberalisation of Japan's pensions market expected in 2000 as part of Big Bang, the rolling programme of deregulation.

While details of the legislation have yet to be decided, many observers believe the crisis facing the country's *current system has made the* introduction of a 401k type portable private pensions system extremely attractive for the authorities.

US 401k schemes are based on a defined system of contributions which are managed by an investment group. Japan has traditionally used defined benefit pensions, in which benefit levels are guaranteed by the government or company.

But defined benefits are looking increasingly unsus*tainable*, prompting exploration of whether a 401k system could be used in Japan.

Three big groups have emerged in the race to form pensions alliances. Nomura and IBJ form the core of a joint venture called Japan Investor Solution and Technology, which will principally provide record-keeping systems for 401k pension plans.

They have been joined by *four members of the Mitsui keiretsu*, or business group, including Sakura Bank and *Mitsui Life. Fuji Bank and* Yasuda Life of the Fuyo business group will also be taking part. Sanwa Bank, Toyo Trust and Banking and Daido Mutual, which yesterday announced that they would be setting up a 401k sales consulting and planning company in August, will also participate.

Goldman Sachs, the largest foreign mutual fund group in Japan, said it believed the 401k market could have potential in Japan, though its development could depend on the course of future legislation.

"This is something under serious consideration but there are numerous tax, legal and practical issues to be addressed."

Meanwhile, the Mitsubishi and Sumitomo *keiretsu*, led by Bank of Tokyo-Mitsubishi and Sumitomo Bank have also joined forces to create another pensions alliance.

They will be joined by fellow keiretsu members such as Tokio Fire and Marine, the country's largest non-life insurance company, Meiji Life and Sumitomo Life. Daiwa Securities, which has recently formed a securities alliance with Sumitomo Bank, will also join the alliance.

Nippon Life, the world's largest life insurer, also recently announced that it would set up a joint venture with IBM Japan and Hitachi to develop computer administration systems for 401k-type pensions.

It will be joined by a host of big names such as NTT, Japan's largest telecommu*nications company; Fujitsu*, the leading computer maker; CSK, the largest independent information services company; and NTT Data, the biggest domestic system integrator, in developing the new systems.

Chilean companies return to bond markets

By Mark Mulligan in Santiago

After nearly 10 months with barely a trickle of issuance, Chilean companies are returning to the Yankee bond market with up to $2bn worth of deals in the pipeline or already priced.

*Emboldened by the gov*ernment's proposed $500m benchmark issue this month, and encouraged by narrowing yield spreads, corporate leaders such as Endesa, the country's largest electricity generator, Enersis, the elec*tricity distributor, and state*-controlled Codelco, the world's largest copper producer, are working with US investment banks on marketing new debt.

Endesa last Wednesday priced a $400m 10-year Yan*kee bond at 330 basis points* over Treasuries, its first issue since last June's 10-year deal, which carried a 235 point spread. The latest issue is led by Salomon Smith Barney, with J.P. Morgan and Nationsbank.

According to Carlos Ingham, general manager of J.P. Morgan in Santiago, the deal confirms a growing appetite for Chilean paper, after two smaller Yankee placements and an asset-*backed offering since Janu*ary. "There was a lot of interest in Endesa and the deal was raised from $300m. People are looking at Chile again, and this is good news."

Codelco is assessing *demand for a $300m 10- to* 30-year Yankee soon after the government issue. Merrill Lynch is also leading a prospective $150m deal by Banco de Estado.

Analysts say investors see Chilean paper as relatively *high-yield but low-risk, with* little distinction between the sovereign issuer – which has an A- rating from rating agency Standard & Poor's – and large corporations.

Pricing is still expensive compared with the boom *years before the Russian and* Asian financial crises, but perceptions that the country is hauling itself out of the current downturn are helping to tighten spreads.

"When Endesa first went to market back in 1996, the *price was 90 basis points for* a 10-year [issue] and it traded down to levels of 75 [basis points]," said a bond analyst at a US investment bank. "At the peak of the Asian/Russian crisis, you *were looking at 500 basis* points. You could say we've gone halfway back to where things were before the Asian crisis."

Meanwhile, bankers say the sovereign issue, the first by the country in decades, is *on track for pricing this* month in spite of persistent market talk of a postponement. The deal is likely to be placed at around 300 basis points over Treasuries, although the government had been hoping for some*where closer to 200.*

Armen Kouyoumdjian, a private sector country risk consultant, said investors were singling Chile out from the rest of Latin America because of its stable currency, relatively low interest *rates and improving trade* position.

However, he warned that weak demand and rising unemployment, coupled with intensifying social unrest among workers and indigenous communities, could *upset official forecasts of a* second half recovery.

"This is not a country that is going to recover in three months' time. I think people are being sold a mirage."

Enron set to take Grupo Tribasa stake

By Andrea Mandel-Campbell in Mexico City

Grupo Tribasa, the troubled Mexican construction company, is seeking relief from a severe cash crunch through *a strategic alliance with* Enron Engineering and Construction Company that *could see the subsidiary of* US-owned energy giant, Enron Corp, taking an *equity stake.*

Enron will decide whether to exercise an option to invest during a special meeting of Tribasa shareholders scheduled for April 14, said Manuel Delgado, Tribasa vice-president of finances. *Enron has committed itself* to providing the cash-strapped Tribasa with a $27m loan that it may opt to convert into capital, said Mr Delgado.

Tribasa will more than likely use the loan to cover a $26m debt which the builder defaulted on last week, say analysts. In March, Tribasa announced a restructuring to reduce corporate debt by $550m and secure a capital injection of some $200m in a bid to reduce debt of approximately 13bn pesos ($1.3bn).

"Tribasa is a $1bn headache and if a company like Enron wants to do business and loan money it is a small step in the right direction, but we definitely want to see a lot *more progress in the* future," said Guillermo Serrano, construction analyst with Santander in Mexico City.

Enron will help lighten Tribasa's debt load by providing half the financing for current and future projects, said Mr Delgado.

Tribasa has accumulated $350m in project related-debt since walking away with the bulk of Mexico's construction tenders and privatisation concessions in recent months.

The firm, with gross revenue of $500m last year, has over-extended itself, say analysts, since winning the con*cessions for Mexico's south*eastern railway line as well as the first package of air*ports to be privatised. More* recently, Tribasa, together with consortium partners, picked up $3.4bn in contracts to upgrade two refineries owned by Mexico's state-owned oil company, Pemex.

Traditionally a highway builder, Tribasa will be looking to Enron to provide expertise in the energy sector. Similarly, Enron, which has been expanding rapidly in Latin America, will be able to offer Tribasa a steady source of work, say analysts.

"This is the best news that *has happened to us in the* last five years," said Mr Delgado. "To be associated with *Enron, a world energy* leader, means we will be working with leading edge *technology and they have* the necessary resources to make financing available."

NEWS DIGEST

INDONESIA

Tambang Timah to branch out into coal and gold

Tambang Timah, the partially privatised Indonesian tin mining company, yesterday confirmed plans to buy into three other mining companies and an asphalt plant this year. The company said it would diversify into the profitable coal business by acquiring 30 per cent of Kaltim Prima Coal, a mine owned by British Petroleum and Rio Tinto which is by contract obliged to divest a stake locally. Timah would also buy 69 per cent of Berau Coal, part of the Astra International conglomerate which is selling assets to raise cash. Timah will take over a gold mine from Gajah Tunggal, another cash-strapped group, as well as an *asphalt plant now owned by a state company. The govern*ment is to sell at least 30 per cent of the company, leaving the state with at most 35 per cent, but the privatisation *has been delayed to allow diversification to be completed.* Investors have been wary of Timah because officials are still toying with merging Timah with a troubled state-owned coal mining company, Tambang Batubara Bukit Asam. **Sander Thoenes, Jakarta**

PHILIPPINES

Great Pacific link for ABN Amro

ABN Amro, the Dutch banking group, has agreed to buy access to the Philippines by acquiring a controlling stake in the Manila-based Great Pacific Savings Bank from Alfonso Yuchengco , the Filipino-Chinese tycoon. Great Pacific was formerly known as BA Savings Bank, part of the Bank of America Group, but last June the US bank sold its 39 per cent share to the Yuchengco Group. ABN *Amro is not disclosing how much it will pay for control of* the thrift bank, which at the end of 1998 had total assets of 5.48bn pesos ($141m) and loan assets of 4.56bn pesos. The Dutch bank, which holds a restricted offshore licence in the Philippines, said the acquisition would give it a foothold in the domestic banking market, expand its peso-denominated business and allow it to move into consumer banking. **Andrew Bolger**

THAILAND

Casino takes stake in retailer

Thai retailer Big C Supercenter said it would sell a significant stake to Casino, the French retail group. Big C, controlled by the Chirativat family which owns the Central Group's retailing and hotel empire, will issue 530m new *shares, nearly tripling registered capital to Bt8bn ($212m)* from Bt2.7bn. With nearly 20 stores, Big C last posted an operating profit in 1995. The new shares will be sold to Casino and Thailand's Saowanee Holding at Bt11.5 per share, a 9.5 per cent premium to the price of Big C shares when they last traded on March 26. The company said the amounts sold to the two new investors will be determined *later but analysts believed the French company, perhaps using nominees, would end up as the largest shareholder.* European retailers dominate the Thai hypermarket industry. Tesco of the UK has bought the Lotus chain from the giant CP Group, while Makro took control of Siam Makro from CP. Last year Ahold took control of Tops Supermarket from the Central Group. **Ted Bardacke, Bangkok**

RUSSIA

Interbrew in Sun Brewing link

Interbrew of Belgium has created a joint venture with Sun Brewing of Russia to control their combined brewing, malting and soft drinks assets in Russia and the Ukraine. *Under the terms of the deal, Interbrew, which owns brands* including Labatt of Canada, will invest $40m in cash and hand over its controlling stakes in the Rosar brewery in Omsk and the Desna brewery in Chernigiv, Ukraine. It will also underwrite further non-voting shares that may be issued over the coming three years with first priority to existing shareholders in the new joint venture. Sun Interbrew, the name of the combined group, will be quoted on *the Luxembourg stock exchange, with 34 per cent of the* shares held by Interbrew and Sun Brewing, and the remainder by a range of other investors. It will have the exclusive licence for brewing Stella Artois in the region. Sun Brewing estimated the total investment by Interbrew in cash and assets at $130m. **Andrew Jack, Moscow**

UPC seeks further expansion in Europe

By Gordon Cramb in Amsterdam

United Pan-Europe Communications (UPC), the cable television provider, is seeking further acquisitions after buying businesses in three countries since its February flotation.

Mark Schneider, chairman, said UPC was looking at opportunities to increase its subscriber base in Europe, where it is already the largest private-sector cable TV company. Targets included Cablelink, the Irish market leader, which is for sale this month.

UPC, on which Microsoft of the US spent $333m to take an initial 7 per cent stake, pleased its new shareholders with 1998 results on Thursday showing rapid growth in telephone and internet services. The shares, offered at €29 or $32.78, rose €1.20 that day to €37.50, although UPC announced a widened net loss of Fl 562.9m (€255m, $276m), against Fl 175.9m.

Earnings before interest, tax, depreciation and amortisation – a more closely watched indicator in the industry – grew 6.6 per cent to Fl 111.4m.

Since the launch UPC has added to its portfolio in the Netherlands, France and Slovakia. It is also upgrading its networks to allow telephony and high-speed video and data traffic. Of its 2.2m cable subscribers, nearly half already have access to these services.

Mr Schneider said that within a year it could spin off part of Chello Broadband, its European internet backbone launched last month, which offers data capacity to other providers. "We might float it, or take in another investor strategically," he said. Microsoft has an option to buy 10 per cent of Chello at fair market value.

Apart from Cablelink, being sold by Telecom Eireann and the broadcaster RTE, the company would like full control of the Amsterdam-based A2000. A half-share owned by MediaOne may be up for sale as a result of its merger agreed last month with Comcast, the US cable operator.

"Comcast is very focused on what they are doing domestically, and MediaOne has some good assets in Europe. We are interested," said Mr Schneider.

Okuma sees sales upturn

By Peter Marsh

Okuma of Japan, one of the world's biggest machine tool companies, plans to boost its sales this year in Europe as a result of buoyant investment in the vehicle and general engineering industries.

It also expects a gradual upturn in Japan and the rest of south-east Asia.

Machine tools turn out a range of components for products from washing machines to aircraft, and are a bellwether of the state of confidence among manufacturing generally.

About $40bn a year of machine tools are sold worldwide.

Okuma is among several Japanese machine tool companies to have spread its sales more globally during the 1990s. In the year to the end of this month, it expects 65 per cent of sales of about Y120bn ($995m)to come from outside Japan, compared with 30 per cent in 1991.

Junro Kashiwa, Okuma chief executive, said he expected European sales – worth about Y30bn in the year just ending – to climb by 15 per cent during 1999-2000.

He said market conditions were particularly favourable in southern European countries such as Italy and Spain, while demand in Germany was likely to flatten out at a fairly high level.

Mr Kashiwa also said he thought a "small upturn" in Okuma's home market in Japan could start towards the end of the year.

Conditions in south-east Asia were also stabilising.

In North America, where Okuma has its only factory outside Asia, economic conditions remained fairly strong. However Mr Kashiwa predicted a slight fall in 1999-2000 in sales in this region – which reached about Y45bn in the year just ending – owing to a probable slight fall in demand in the coming months.

Okuma is targeting pre-tax profits at about 6.5 per cent of turnover in 1999-2000, about the same as in 1998-99.

ING to advise on Polish sale

Poland's Treasury has chosen ING to advise on the sale of a strategic stake in Telekomunikacja Polska SA (TP SA), Poland's listed state-controlled telecommunications operator, in what will be the country's largest privatisation deal to date, writes Christopher Bobinski in Warsaw.

ING – which won the mandate against competition from J. P. Morgan, CSFB and Merrill Lynch – has been asked to place between 25 per cent and 35 per cent of the company with a strategic investor. A 15 per cent stake in TP SA was floated last year, with Schroders advising the government on the transaction. TP SA has a market value of about $7.5bn. The Treasury is hoping to have a short list of investors before the summer and to complete the deal this year. ING will be working with Nicom, a local consulting company, lawyers Clifford Chance and Arthur Andersen, the accountants.

SAS looks for sharp climb after restructuring

Loss of business class revenues increases pressure on the airline, writes **Tim Burt**

Scandinavian Airlines System is a carrier in transit. The three-nation Nordic airline – 50 per cent owned by the governments of Sweden, Denmark and Norway – is mid-way through a physical and financial overhaul.

Viewed from a distance, senior directors admit the programme might look superficial. Aircraft are being repainted in a bolder livery; lounges have been revamped, hotels opened. Next month, the workforce will have new uniforms.

But Jan Stenberg, SAS's combative chief executive, says the facelift belies deeper and more important surgery. "It may look like fine tuning from outside. But when you add it all together, five years from now SAS will be quite a different airline."

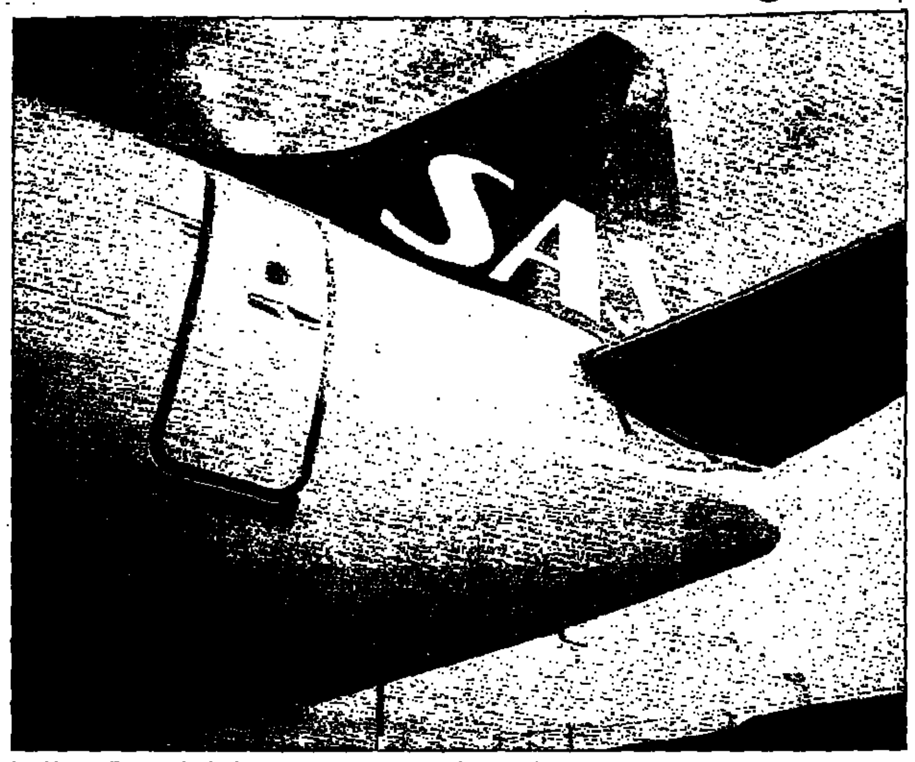
As part of that transformation, SAS has begun to replace its ageing fleet of short-haul McDonnell Douglas and Fokker aircraft with the latest 737s from Boeing of the US. That SKr12bn ($1.46bn) renewal will be followed later this year by a SKr13bn-SKr15bn order for 12 long-haul jets.

Mr Stenberg said in an interview that Airbus, the European aircraft consortium, is favourite to win the order with a combination of its A330 and A340 aircraft. Up to now, SAS has relied on wide-bodied Boeing 767s for inter-continental services.

"We could start by taking A330s, going on to [larger] A340s. The aim is to increase capacity by almost 50 per cent with the same number of aircraft, with options for further acquisitions," the chief executive added. The airline has also embarked on a hefty restructuring programme designed to improve gross profit margins – down from 10.6 to 10 per cent in 1998 – by three percentage points. Over the next two years, if successful, it should generate cost savings of SKr3bn.

That will involve a re-organisation of distribution and sales, while engine maintenance on new aircraft will be outsourced to Lufthansa of Germany. Mr Stenberg, who sits on Lufthansa's board, also wants to examine joint procurement and marketing with the German airline – one of SAS's partners in the nine-carrier Star alliance. "You will see activities in all fields to improve profitability. Overheads will be coming down – and fast," he says.

That all sounds encouraging for an airline with no tradition of generating shareholder value. But given the state of the European airline market and SAS's passenger profile, it may not be enough.



Looking at livery: SAS believes its ongoing revamp is more than cosmetic

By its own admission, SAS is handicapped by rising personnel costs and stagnating yields – the average revenue per passenger kilometre. In 1998, productivity fell almost 4 per cent. Increased operating expenses cancelled out a 5 per cent reduction in fuel costs. More worryingly, demand from business class passengers has fallen. Having fallen 4 per cent in the final quarter of last year, business class traffic fell 9 per cent in January and a further 8 per cent in February. That was partly compensated by a strong increase in passengers travelling at the back of the plane. But the overall yield was still down more than 3 per cent in the first quarter.

Mr Stenberg says SAS is suffering the same malaise as British Airways and KLM of the Netherlands. "We are seeing a recession in the airline industry, everyone is suffering."

But SAS is more exposed to business class demand than most of its rivals. For every lost business class passenger, SAS needs to fill two and a half economy seats to maintain its yield. The problem is that SAS is not seeing a large migration from the front of the plane to the back.

Competition has also intensified on busy routes. Eight carriers fly the Stockholm-Copenhagen corridor, while low-cost airlines have begun flying from the UK to Scandinavia. That means that SAS has to take steps – such as promotional offers, incentive schemes and new routes – just to defend its market share. Even then, it looks unlikely that profits in 1999 will match the SKr2.89bn achieved on sales of SKr41bn last year.

Against that background, it is questionable whether new aircraft, new liveries and a lower cost base will bolster SAS profits over the medium term. Mr Stenberg thinks it will, and he is ready to consider more radical action.

The chief executive wants state shareholders to abandon the cumbersome shareholder structure in which each government holds 50 per cent of an SAS entity, quoted separately in Stockholm, Oslo and Copenhagen.

The idea is to move to a single, more liquid SAS share where the states' interests would be diluted, giving the airline greater access to capital markets.

"It is hard to speculate. But why not get it done by the AGM next year?" says Mr Stenberg. "The governments are not in control of SAS today; it's changing direction."

TELECOMMUNICATIONS PURCHASE OF BUSINESS IN THREE STATES WILL CONFIRM GROUP AS BIGGEST US CELLULAR SERVICE PROVIDER

GTE to buy Ameritech unit for $3.27bn

By Nikki Tait in Chicago

GTE, the US telecommunications group, is to buy the cellular business of Ameritech, the Midwest-based local carrier, in three states for $3.27bn.

Assuming GTE's own plans to merge with Bell Atlantic go ahead, the deal will confirm GTE as the largest cellular service provider in the US, with over 20 per cent of the market and about 13m subscribers.

The sale is one of the results of Ameritech's planned merger with Texas-based SBC Communications. The Justice Department recently gave a green light to the $56bn deal, on condition that the two "Baby Bells" sell off wireless services in areas where they have dominant, overlapping operations.

The businesses being sold by Ameritech take in about 20 cellular properties overall and include those in Chicago, its home town, St Louis, and surrounding areas of Illinois, northwestern Indiana and Missouri.

At present, they have nearly 1.5m customers, while the population in these areas is put at about 11.4m, according to the carrier.

About 1,700 Ameritech employees will transfer to GTE as a result of the sale.

However, the cash deal is still contingent on the SBC-Ameritech merger being completed, and this has yet to win approval from the Federal Communications Commission.

By contrast, GTE officials said that the acquisition would not depend on a go-ahead for the separate $52bn GTE-Bell Atlantic merger, which is also undergoing regulatory scrutiny at present, and that they were hopeful of completing the purchase by mid-year.

GTE said that the Ameritech interests were "an exceptional fit" with its current portfolio and – coupled with the Bell Atlantic interests – would take it closer to becoming a national provider of cellular services.

"It strengthens our national footprint," the buyer commented, pointing out that some of the properties were contiguous with existing GTE interests and that the increased presence would help to simplify roaming charges.

In the first full year of operation, GTE said it was looking for revenues of $800m-$850m from the acquired assets and a net income contribution of around $90m to $110m.

GTE is being joined in the purchase by Georgetown Partners, a minority-owned investment firm in Bethesda, Maryland.

Georgetown will take a 7 per cent stake in the partnership, which will own the acquired assets.

The partnership itself will be financed about 25 per cent by equity and 75 per cent by debt.

Yesterday, Ameritech shares had risen $1¼ by midday, as the SBC deal appeared to move one step closer, to $61¼.

GTE edged lower, down by 50 cents to $60¼ in midday trading.

Power-sharing problems fail to knock Citigroup off course

A year into the Citicorp/Travelers merger, there are no signs of either group's culture assuming dominance, writes **John Authers**

Exactly one year ago, John Reed of Citicorp and Sandy Weill of the Travelers Group stunned Wall Street by announcing that their companies were to merge.

The intervening year has brought more shocks, mostly from the corporate and investment banking side of the business, which endured more than its fair share of pain during the turbulence which followed the Russian financial crisis last August.

At the time the deal closed, the new company's market capitalisation was less than half the combined value of Citicorp and Travelers at the time the deal was announced.

Shortly after the Russian crisis, the company suffered a further jolt when Jamie Dimon, its president, whom many had assumed to be the most likely successor as chief executive, resigned abruptly.

Since then, the share price has recovered steadily, and is now almost back to its peak of last July.

Attention is also shifting away from investment banking to the consumer businesses, which made up more than half of both Travelers and Citicorp before the merger, and which raised profits by 20 per cent in the final quarter of last year while the rest of the company was suffering declines.

The consumer businesses are run jointly by William Campbell, the former chief executive of Philip Morris USA who was recruited by Mr Reed to build the "Citi" global brand, and by Robert Lipp, a long-term Travelers executive.

The two continue to work together, in one of several examples across Citigroup of the two predecessor companies retaining equal influence. Many on Wall Street had expected the more aggressively entrepreneurial Travelers culture to be dominant by now, but there is power-sharing at the top of both the commercial and the consumer divisions.

This has disappointed some Wall Street analysts, who wanted a clearer sense of direction.

Michael Mayo, banking analyst at Credit Suisse First Boston, said: "We would have thought that one side would have been more in control by this point. The Noah's Ark label still applies, and that's the most surprising aspect one year later."

Many on Wall Street had expected the more aggressively entrepreneurial Travelers culture to be dominant

Mr Campbell suggested that his basic mission of building "Citi" into a global brand was unchanged after the merger.

He said: "To say it hasn't changed in some ways would be naive. But the fundamental driver behind it hasn't changed. Basically we believe in the Citi brand in virtually all geographies and in most products."

Most of the changes so far have concentrated on deriving maximum advantage from Citigroup's size, rather than from cross-selling.

The company has continued a squeeze on its expense base which started at Citicorp before the merger.

According to Mr Lipp: "We are in business all over the world and if you put banks or credit card companies together there are operating economies from scale. I would say we would continue to do that."

The company has also quietly exercised its muscle in the acquisitions market, in a series of "fill-in" deals.

Mr Lipp points to the acquisition of 128 consumer lending branches in the south of the US from Associates First Capital, a move which substantially increases Citigroup's US consumer lending operation, and its acquisition of Mellon Bank's credit card portfolio. Both deals have been announced in the past month.

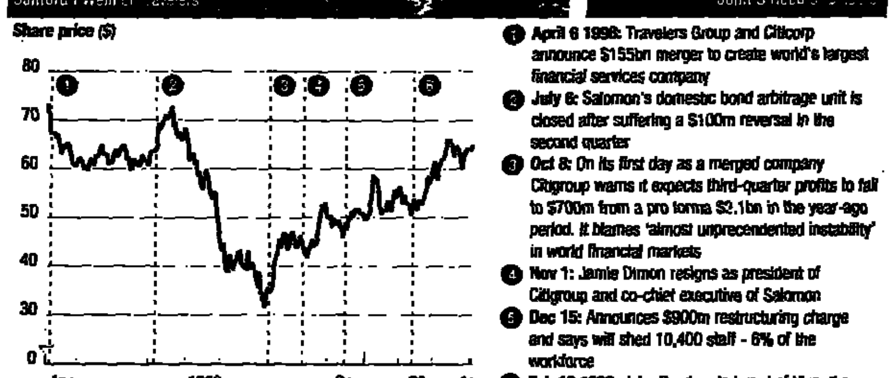
Outside the US, it recently bought a consumer lending business in Chile.

Few cross-selling initiatives have been announced to date. Citibank branch staff in the US are being retrained to offer financial advice including sales of insurance and investment products.

The company is also looking at offering its second mortgage lending products to Citibank credit card customers who appear to be in need of a consolidating loan – thus avoiding losing business to rival home equity lenders, and averting credit losses at the credit card division.

Internationally, its "Citigold" package of services will be aimed at affluent customers.

Sanford I Weill of Travelers — John S Reed of Citicorp



Source: Datastream/ICV

The brand identity unveiled a year ago, combining the Citigroup name in the old Citicorp letterhead with the Travelers' red umbrella logo, has remained unchanged, despite some expectations to the contrary.

There are no plans to introduce any more radical change of corporate identity.

According to Mr Campbell, who built his career managing the Marlboro brand at Philip Morris, the points that stand out with the Citi brand are its "globality" and its "innovativeness".

Mr Campbell's brand marketing background also comes out when he suggests the Citicorp Center – the gleaming Manhattan skyscraper best known for the solar panels which cut a triangular wedge out of the top – sums up the brand.

"If you look at this building, particularly from the other side of the river, you get a picture of what the brand is. It's a very modern and striking part of the world landscape."

NEWS DIGEST

REMUNERATION

Gap chief executive's pay doubles in year to $7.3m

The pay of Millard Drexler, chief executive of Gap, more than doubled last year, to $7.3m, as the retailer delivered another year of strong profit growth. The company's proxy form, filed yesterday, was also the latest to show how senior US executives have benefited from the sizeable share option awards granted to them in recent years.

Mr Drexler realised $4.8m in gains from exercising share options in 1998. By December 31 his outstanding share options were valued at $660m, of which $28m were exercisable. Mr Drexler was paid a $2m salary and a bonus of $5.3m, including a $2.9m payment under the company's executive long-term cash award performance plan. In 1997 he was paid $3.5m in total.

Separately, US Airways disclosed that Stephen Wolf, its chairman, received a five-fold increase in his package of pay and stock awards from America's sixth-largest airline last year. His package increased from $3.4m to $17m in 1998, thanks to almost $11m of restricted stock awards and a $4m payment by the company to cover the tax liabilities on restricted stock. His salary rose from $500,000 to $580,000, and he again received a 100 per cent bonus.

Rakesh Gangwal, who succeeded Mr Wolf as president and chief executive last November, received a $15.8m package, up from $2.2m in 1997. This included almost $11m worth of restricted stock awards, and $2.9m for stock-related tax liabilities. Mr Gangwal's salary rose from $429,000 to $567,000, according to the proxy form filed by the company. Between the end of 1997 and December 31 1998, US Airways' stock price fell from $62½ to $52. The shares traded at 51\frac{1}{16}$ yesterday – a week after it said it would buy back $500m worth of its shares.
Andrew Edgecliffe-Johnson, New York

LITIGATION

Harnischfeger wins retrial

Harnischfeger Industries, the Milwaukee-based manufacturer of mining and paper-making equipment which has been buffeted by problems in south-east Asia and a slump in mining activity, said yesterday that it had won the right to a retrial in its expensive litigation with Potlatch Corporation, which makes and sells plywood, lumber and other wood products.

The lawsuit brought by the San Francisco-based company had alleged that certain large pulp line washers, which cost less than $15m, had failed to work satisfactorily. The complaint was filed in late 1995, and an Idaho state district court jury eventually awarded Potlatch $95m in damages, although Harnischfeger said that the total bill – with fees, costs and interests – worked out at around $120m. Harnischfeger said the jury finding was "grossly excessive" and appealed against the verdict to the Idaho Supreme Court, winning the retrial request. Harnischfeger shares rose $0⅛ to 5\frac{15}{16}$. **Nikki Tait, Chicago**

TELECOMMUNICATIONS

Lucent in talks with Libit

Lucent Technologies of the US, the world's largest maker of telecommunications equipment, is in advanced talks to acquire Libit, an Israeli start-up company, for about $260m, sources say. Libit declined to comment but a shareholder said the deal would soon be completed. "Lucent will buy 100 per cent of the company for $260m in cash," the source said. Libit designs and manufactures chipsets used for high-speed cable television modems. The company has no revenues.If the Libit deal is completed, the value of cross-border mergers and acquisitions with Israeli high-tech companies this year will climb to $1.35bn, compared to $2.13bn in 1998. Libit is a private company founded in 1994 by a group of Israeli professors, who hold 50 per cent. **Avi Machlis, Jerusalem**

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

BUSINESS SERVICES

CONTRACTS & TENDERS

STATE OWNERSHIP FUND

ADVERTISING RELEASE FOR SALE OF SHARES BY DIRECT NEGOTIATION

The STATE OWNERSHIP FUND, a Romanian public institution based in 6 Stavropoleos Street, 3 sector, Bucharest, Direct Selling - *Metallurgy, Chemistry Division is offering for sale by direct* negotiation according to the Government Emergency Ordinance no. 88/1997 approved by Law no. 44/1998 and Government Decision no. 55/1998, modified and completed with Government Decision no. 361/1998, a stake of 69.999% respectively a number of 2,337,817 shares from the trading company **LAMINORUL S.A.**, headquarters in **BRAILA**, 2-Industria Sarmei, *Braila District, fiscal code*: R 2266948, registration *number* at the Commercial Register Office: J 09/42/1991 having:

- **Main scope of activity**: Manufacturing and trading of hot *laminated profiles, reinforcing bars, dead-drawn wire and drawn bars, pins, chains, pitchforks, metallurgical repairs, housekeeping use objects, wood confections and metallic ones.*
- **Share capital** (according to the last registration at the Commercial Register in 30.05.1997): *83,494,675 thousand ROL*
- **Turnover** (1998): 239,396,062 thousand ROL
- **Loss** (1998): 6,905,189 thousand ROL
- Shareholders structure is as follows:

Shareholder	No. of shares	%
• State Ownership Fund	2,337,817	69.9990
• Financial Investment Company Moldova	239,716	7.1776
• Share owners through mass privatisation	199,909	5.9857
• Manager	35	0.0010
• P.A.S. Shareholders	243,985	7.3054
• Public Offer Shareholders	318,325	9.5313
TOTAL	3,339,787	100.0000

The nominal value of each share is 25,000 ROL.

The selling offer price is of *37,767 ROL/share and* the value for shares stake offered for sale is of 88,292,334,639 ROL.

The Company's PRESENTATION FILE can be obtained daily from Portfolio Offers Division of Sate Ownership *Fund Bucharest*, 6 Stavropoleos St., Tel. 04-01/303.63.35; 303.63.47, Fax: 04-01/315.59.37, ground floor, between 8.00 and 16.00 hrs., until one day before the deadline for offers submission, inclusively.

The selling price of the PRESENTATION FILE is 40,000,000 ROL and may be paid in account no. 251.100.980.900.224 opened with Romanian Bank for Development - Bucharest Branch (BRD-SMB). The PRESENTATION *FILE is sold based on the following documents:*

a) The payment order *for the* PRESENTATION FILE
b) Identity card or passport (for the case of natural Romanian/foreign persons).
c) Power of attorney from the bidding trading company.

In order to participate in *the negotiations* It is *compulsory* to buy the PRESENTATION FILE.

Participation *guarantee* of 882,923,346 ROL may be paid at Romanian Bank for Development - Bucharest Branch (BRD-SMB) in account no. 251.100.980.900.313.

For natural/legal foreign persons payment of *PRESENTATION FILE and participation guarantee* shall be made *in the account* for convertible foreign currency open with the Romanian Bank for Foreign Trade (BANCOREX) account no. 251.100.000.002.423.000.08 in USD, at exchange rate transmitted by NATIONAL ROMANIAN BANK on the date the payments made.

In order to participate *in the negotiations*, bidder shall submit the documents stipulated in Government Decision no. 55/1998, article 27, stipulated in Section C of PRESENTATION FILE and THE BID, including the business plan, *in sealed envelopes*, at *Portfolio offers* Division, to the deadline *date* of 14th May 1999, 10:00 hrs. local time. The opening of the bids will take place on the same day (14th May 1999) at 12:00 hrs local time in the presence of the *bidders.*

Natural/legal foreign persons may make *the payment for the* SALE-PURCHASE contract in convertible foreign *currency* at the exchange rate transmitted by NATIONAL ROMANIAN BANK on the date of signing of the Protocol for concluding the direct negotiation.

Bidders may instruct the bank where they *hold their main account* and which *is corresponding* with a Romanian *bank*, to release a bank guarantee letter valid for 180 days from bid submission date.

Other information regarding trading company *may be obtained at tel.: 040-01-314.57.85*, fax: 010-01-310.17.40, Ms. Ruxandra Jianu.

Additional information regarding S.O.F's. offer may be obtained on INTERNET site at the address www.sof.ro.

BUSINESSES FOR SALE

THE MINISTER OF STATE TREASURY OF THE POLISH REPUBLIC

HEREBY EXTENDS AN INVITATION TO NEGOTIATE

the acquisition of shares in a joint-stock company

"Elektrociepłownie Warszawskie" Spółka Akcyjna
(Warsaw Combined Heat and Power Plants Joint-Stock Company)
having its registered office in Warsaw, Poland

The Minister of State Treasury having the registered office in Warsaw, Krucza St. 36 / Wspólna St. 6, 00-522 Warsaw, acting on behalf of the State Treasury *pursuant to Art. 33(1) of the act of 30th August, 1996 on commercialisation and privatisation of state-owned enterprises* (Journal of Acts No. 118, item 561, as subsequently amended) hereby invites all interested Parties to negotiate the acquisition of not fewer than 2,063,000 ordinary registered shares per purchaser with the nominal value of PLN 10.00 each, representing not less than ten (10) percent of the share capital of a joint-stock company "Elektrociepłownie Warszawskie" Spółka Akcyjna having its registered office in Warsaw, Poland, Modlińska St. 15, 03-216 Warsaw, hereinafter referred to as "Elektrociepłownie Warszawskie" S.A. or "the Company".

Pursuant to Art. 36 of the act of 30th August, 1996 on commercialisation and privatisation of state-owned enterprises (Journal of Acts No. 118, item *561, as subsequently amended), the eligible employees have the right to acquire fifteen (15) percent of the Company's shares free of charge.*

Pursuant *to Resolution of the Council of Ministers No. 86 of 4th* October, 1993 on the establishment of a reserve for re-privatisation purposes (M.P. No. 52, item 482, as subsequently amended), five (5) percent of the shares are retained by the State Treasury for re-privatisation purposes.

The business of "Elektrociepłownie Warszawskie" S.A. includes primarily the generation of heat and electricity to meet the needs of the national economy and the general public and the operation of the power engineering machinery and equipment owned.

Having informed "Polish Institute of Management" Sp. z o.o. (**PIM**) – the adviser to the Minister of State Treasury under the project of privatisation of "Elektrociepłownie Warszawskie" S.A. – of their intention to participate in the process, interested Parties shall receive the basic information on the Company and, following the presentation of current corporate documents and the execution by duly authorised representatives of the Potential Investor of a confidentiality clause, the Information Memorandum of "Elektrociepłownie Warszawskie" S.A. containing information on the legal, economic and financial position of the Company, process of offering shares as well as the structure of replies to the publicly announced invitation to negotiations.

Address: **"Polish Institute of Management" Sp. z o.o. (PIM)**
02-691 Warsaw, Obrzeżna St. 3, IX floor
Phone no. (48 22) 647 02 40; 843 66 51; *Facsimile* no. (48 22) 843 87 50

Persons responsible for registration of applicants: Mr Marcin Trych and Ms Elżbieta Naumienko.

In particular, the price of shares, development and restructuring programme proposed by the Potential Investor including inter alia a commitment to increase the Company capital, equity investment commitments, environmental commitments, obligation to protect the interest of the workforce and other stakeholders as well as the manner of securing these commitments shall constitute the object of the negotiations to be undertaken.

The deadline for submission of replies to the publicly announced invitation to negotiate the acquisition of a shareholding in "Elektrociepłownie Warszawskie" S.A. representing not less than ten (10) percent of the share capital per purchaser is 2.00 p.m. Warsaw time on May 14th, 1999. The replies of Potential Investors shall be prepared in the Polish language on the A4 paper. They shall be submitted in duplicate in sealed envelopes, to the office of the Ministry of State Treasury, Krucza St. 36 / Wspólna St. 6, 00-522 Warsaw, sixth floor, *Departament Nadzoru i Prywatyzacji II*, room no. 631. The envelope shall bear a notice saying: *"Odpowiedź na publiczne zaproszenie do rokowań w sprawie zakupu pakietu akcji "Elektrociepłowni Warszawskich" S.A. Nie otwierać"* and information facilitating the identification of the Potential Investor.

The Minister of State Treasury reserves the right to request additional information from Potential Investors who have submitted their replies to the publicly announced invitation to negotiations.

By *May 31st, 1999*, the *Minister* of *State Treasury shall* inform individually by registered *mail each of the Potential Investors who have submitted* replies to the publicly announced invitation to negotiations on the outcome of the processing of replies to the public invitation to negotiations.

The Minister of State Treasury reserves the right to freely select the Potential Investors to whom the invitation to take part in the negotiations will be extended, to cancel the negotiations without disclosing the reasons and to extend the period for submission of replies to the public invitation to *negotiations.*

BUSINESS SERVICES

FRANCHISING

LEGAL NOTICE

IN THE MATTER OF
WASTE MANAGEMENT INTERNATIONAL PLC
(IN MEMBERS' VOLUNTARY LIQUIDATION)
(A company incorporated and existing under the laws of England and Wales)
AND IN THE MATTER OF THE INSOLVENCY ACT 1986
(A statute under the law of England and Wales providing for, amongst other things, the winding up of companies)

NOTICE IS HEREBY GIVEN that the last date for proving debts against the above-named company, which is being voluntarily wound up, is the 12th day of May 1999. Claims must be sent by this date to the undersigned, Finbarr O'Connell of Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP, the liquidator of the company.

Note: *This notice is purely formal and the* directors believe that all known creditors have been, or will be, paid in full.
This notice relates only to Waste Management International plc (in Members' Voluntary Liquidation). It does not relate to any other companies (wherever situated) with similar names, which are not subject to the above proceedings.

DATED this 31st day of March 1999
FINBARR O'CONNELL *Liquidator*

Aberdonian vaults Hadrian's Wall using Israeli technology

Atlantic Telecom hopes to repeat in England the success that its fixed access radio has brought it in Scotland, writes Alan Cane

Atlantic Telecom, the Aberdeen-based communications group, has put in place the final element of its Scottish service by launching in Edinburgh – and is now about to march south.

Atlantic's Scottish networks, covering Edinburgh, Glasgow, Aberdeen and Dundee, are expected to be complete by the end of this year using £125m raised by a combination of debt and equity. So far, it has attracted 20,000 customers north of the border, a success that has encouraged it to look to England.

In February, the Radio Communications Agency, the government body with national responsibility for the radio spectrum, agreed in principle to award Atlantic five regional licences to provide services in England. The first will come into effect shortly.

The areas covered are the north west, centred on Manchester and Liverpool, the north east around Newcastle, the Midlands, London, and the west of England around Bristol.

Graham Duncan, executive chairman, says Atlantic is now considering ways to finance new building programmes, with debt at the top of the list.

If, however, it builds in England it will simply be one of many operators competing for the telecoms shilling. So how does it intend to differentiate itself from rivals in a market which is already fiercely competitive, and where prices are close to rock bottom?

First, Atlantic's services are based on fixed access radio, direct wireless communication between the home or office and a base station.

This is the same principle – but not the same technology – as that promoted by Ionica, the ill-fated East Anglian company now in receivership.

Ionica suffered from marketing misjudgments and technological mishaps, missed its subscriber targets and finally had its financial lifeline cut by its bankers. So why should Atlantic fare better?

Mr Duncan responds that Atlantic's technology, provided by Tadiran, an Israeli company, is proven.

"It has come through three Scottish winters with flying colours," he says. "We have had 100 per cent availability."

Further, Atlantic operates in cities – it is, in US terminology, a competitive local exchange carrier. It seeks as customers small and medium-sized business and residential subscribers who spend more than average on telephone calls.

Mr Duncan argues, however, that Atlantic sells service, not technology, and the key is packaging high-value-added services attractively.

Atlantic's business plan calls for 10 per cent penetration within 10 years. According to BT Alex Brown, the broker, this could be conservative. "In the 23 months since launching in Glasgow," it said in a strongly positive buy note, "penetration of homes passed has reached 3.62 per cent – well ahead of expectations."

Where fixed radio access is not yet possible or is inappropriate, the group has other options. Crest is an indirect service – customers receive a black box through the post which, when plugged into the British Telecommunications line, directs all calls via Atlantic.

Logicall, a call-management brokerage business aimed at businesses, buys transmission capacity in the wholesale market, bundles calls from a variety of customers together and delivers them via the cheapest route. Customers include Clarks Shoes and Prudential.

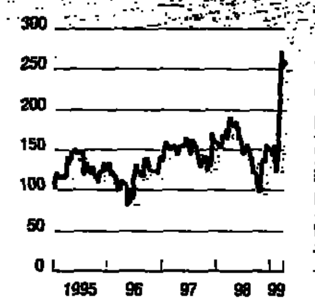
Atlantic is also testing a high-speed wireless technology from another Israeli company, RDC. It is said to be 25 times quicker than ISDN, the fastest method of accessing the internet available commercially, and could be on offer by the end of the year.

Atlantic has shed its former identity as a cable television company that owned franchises across the UK, and was last week redefined by the London Stock Exchange as a telecommunications share.

But invading the English heartlands will test its capacity to shake off the ghost of Ionica and establish fixed radio access as a credible technology.

Atlantic Telecom

Share price since flotation (pence)



Sources: Datastream/ICV; company

Network statistics

	Mar 1997	Dec 97	Mar 98	Jun 98	Sep 98	Dec 98
Total base stations	30	42	42	42	61	77
Homes passed ('000)	90	200	200	200	283	376
Businesses passed	9,450	21,000	21,000	21,000	26,186	29,111
Directly connected customers	2,476	5,914	6,635	7,590	8,617	10,202
Penetration of customers to premises passed	2.49%	2.66%	3.00%	3.43%	2.79%	2.52%
Indirectly connected customers	0	3,216	3,922	4,331	5,319	6,026
Total group lines	9,322	23,089	31,083	35,321	40,005	43,936

Picture by Kieran Chambers

COMMENT

UK corporation tax

If paying UK corporation tax were like tennis, it would be game, set and match to the Labour government. The tax year starts today with a headline one percentage point reduction in corporation tax. But taken with the acceleration of tax payments, which will effectively mean five years' tax being paid over four years, financing costs eat away most of the cut. The Inland Revenue estimates that the net gain to the government of moving to quarterly instalments will be £5bn-£6bn ($8bn-$9.6bn) between now and 2002.

In theory this could be offset by allowing companies to claim back the £7bn they overpaid in tax under the system of advance corporation tax – related to dividend payments – which is now being abolished. But because there are severe restrictions on the tranche of tax against which this overpayment can be offset, much of it may be lost.

So how can UK companies bite back? By continuing the switch from equity to debt, for instance via the growing tally of cash returns to shareholders. Take the case of a company switching from no debt to an amount sufficient to reduce its interest cover to five times. On static operating profits, its tax bill falls by a fifth. Of course, so do its after-tax profits and hence its dividend paying capacity. But now that the hordes of tax exempt institutions can no longer reclaim a tax credit on dividends, this income stream has lost an important advantage. This loss of preferential tax treatment for equities needs to be set alongside changes in pensions accounting. Disclosure of the risks of equity investment is now high on the agenda both for pensions funds – under the minimum funding requirement – and for companies with defined benefits schemes. Such institutions have already responded by switching into UK government bonds, pushing up prices. It also makes sense for them to buy interest bearing bonds from companies. This way, companies and tax exempt funds can share debt's tax shelter – as they used to do with dividends.

This will eventually change the investment landscape. At present institutions being paid dividends – out of post-tax profits – line up with the government in wanting high pre-tax profits. If those institutions switch to interest income – paid out of operating profits – the Inland Revenue falls behind in the queue. What price a revival of advance, or even the imposition of a minimum, corporation tax when that trend really takes hold?

Grafton close to £13m UK deal

By Charles Pretzlik

Grafton Group, the Irish builders' merchanting group, is close to buying a private builders' merchant company in the UK for about £13m.

It is understood to have held advanced talks with Niall Bailey, a builders' merchant with six branches near Birmingham.

The acquisition would increase Grafton's presence in the Midlands, where it has about 30 builders' and plumbers' merchants trading as Buildbase and Plumbase.

Analysts believe such a purchase would enhance Grafton's earnings. Niall Bailey made profits of £1.2m last year.

The acquisition would mark Grafton's latest attempt to strengthen its UK presence. The group has a listing on the Dublin stock exchange and a secondary listing in London.

Last Thursday, it said it had raised its stake in Heiton Holdings, an Irish rival, to 7.99 per cent.

NEWS DIGEST

NEW ISSUES

Investors shun smaller company flotations

Smaller companies are increasingly being shunned by investors, according to KPMG, the professional services group. Its quarterly survey of the new issues market shows that only 10 companies joined the London Stock Exchange in the first three months this year – the quietest quarter for 10 years. Of the 10, six were investment trusts, while of the four trading companies three were in information technology.

The tenth and biggest was South African Breweries, which raised £300m of the total £714m raised in the market. This compares with £173m raised in the final quarter of 1998, when 15 new companies were listed. "The gloom surrounding the new issues market shows no signs of lifting, with the numbers looking to join the market at historically low levels," said Neil Austin, of KPMG Corporate Finance. "The aborted William Hill float, while possibly not typical because of the particular circumstances surrounding the sale, was indicative that valuations are still not always meeting companies' and advisers' expectations."

Small and medium-sized companies were being locked out by investor preoccupation with large stocks. Pressure was growing on companies to sell out to competitors or to venture capital firms.

At the same time venture capital firms were finding it more difficult to exit from investments through flotations. KPMG warned that on current trends, the number of companies joining the stock exchange this year would fall below the already depressed level of 69 last year, which was one of the worst on record.

David Blackwell

LIFE ASSURANCE

Pru chief in 5% rise

The remuneration of Sir Peter Davis, chief executive of Prudential Corporation, the UK's largest life assurer, rose 5 per cent last year to £689,000. However, during 1998 Sir Peter was also awarded 90,266 shares in Prudential – currently worth £715,000 – under the group's 1995 long-term incentive plan for the three-year period to December 1997. The shares are held in trust and will not be released until April next year.

Sir Peter was conditionally awarded a further 79,417 shares for the group's performance in the three years to last December. At January 1, Sir Peter had conditional awards outstanding for 307,234 shares, which would have a current value of £2.4m.

Andrew Bolger

LEISURE

Waterfall to decide on bid

Waterfall Holdings, the leisure group, will decide by Wednesday evening whether to make a formal offer for its rival, European Leisure. The deadline has been set by the Irish takeover panel because European has a stock market listing in Dublin as well as London.

Last month Waterfall made an indicative all-share offer to European, but the move was rebuffed. Waterfall claimed its proposal valued European at over 100p a share, a premium of more than 20 per cent to the takeover bid which European had already agreed to from Allied Leisure, another small leisure group.

Waterfall also said its deal would give European's shareholders a greater proportion of the enlarged group than they would receive under the deal with Allied.

Charles Pretzlik

EURO PRICES

EQUITIES

Europe's investors look for more cheer

EUROPEAN OVERVIEW

By Vincent Boland

Investors in European shares are hoping the next three months will bring a little more cheer than the quarter just ended.

Despite starting in a blaze of glory with the launch of the euro and a burst of mergers and acquisitions activity, bourses are looking a little jaded, observers agree, even without the potential of the war in the former Yugoslavia to cause further damage in the next few weeks.

The FTSE Eurotop 300 index of Europe's leading stocks rose a modest 6.44 per cent in the first quarter of 1999 to 1,258.89 while the FTSE Eurotop 100 index rose 7.2 per cent to 2,920.06.

The FTSE Ebloc index of shares in euro-zone countries gained 3.32 per cent to 1,031.48.

These performances pale in comparison with the Dow Jones Industrial Average, which broke through the 10,000 barrier last week before retreating a little. And they are compounded by the weakness of the euro – a trend not predicted when it was launched – which fell 8 per cent against the US dollar in the first three months of its existence.

Part of the explanation for the trend in European markets has been a sharp reversal in the recent fortunes of the sectors – pharmaceuticals, telecommunications and media – that led an early surge in performance. Telecoms, especially, have been knocked off their perch by the energy sector, which outperformed in March by 15 per cent, according to Salomon Smith Barney.

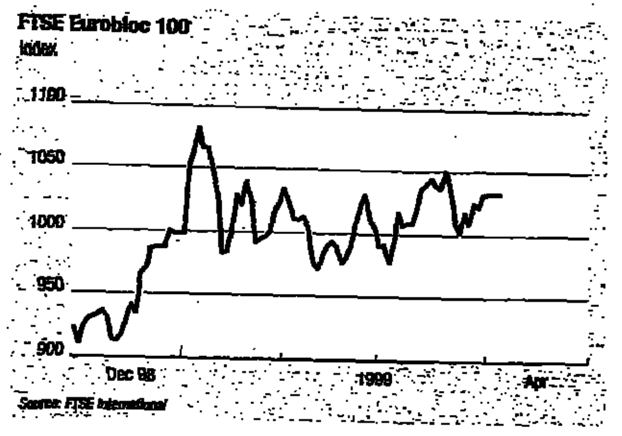
Mark Howdle, European market strategist at Salomon, attributes the reversals to rising bond yields, which are bad news for growth sectors.

If the remarkable rate of growth of the US economy continues, oil prices keep rising and the Kosovo conflict escalates, bond market yields will rise further, he says.

"This should be a serious concern for equity investors, since current high valuation multiples are closely linked to exceptionally low bond yields," Mr Howdle writes in his April commentary on euro-zone markets.

"Since we believe that bond market movements explain the recent sell-off in growth stocks, we suspect that further rises in bond yields could produce more of the same reaction."

FTSE Eurobloc 100



Source: FTSE International

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.180	97.195	+0.015	97.215	97.180	49436	195072
Sep	97.220	97.240	+0.025	97.265	97.220	44976	195266
Dec	97.025	97.040	+0.030	97.060	97.025	19792	110192
Mar	97.165	97.160	+0.005	97.185	97.155	16154	98293

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.200	97.195	+0.015	97.210	97.200	150	106088
Sep		97.240	+0.025			0	93016
Dec		97.040	+0.030			0	83218
Mar		97.160	+0.005			0	84051

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	CALLS Jun	Sep	Dec	Mar	PUTS Jun	Sep	Dec	Mar
97125	0.130				0.050			
97250	0.065	0.120	0.105	0.185	0.120	0.130	0.315	0.255
97375	0.030				0.210			
97500	0.010	0.045	0.045	0.080	0.315	0.305	0.505	0.420

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 182364 Puts 98447

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	2920.0	2940.0	+5.0	2950.0	2920.0	105	5606

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P
Apr	230	11	185	16	142	21	103	35	70	53	44	78	28	110	-	-
May	261	47	223	58	186	71	152	87	95	147	74	175	55	207	146	5

Est vol total 800. Prev day's open interest total 13,849. Premiums shown are based on settlement prices.

OTHER INDICES

	Apr 1	Mar 31	Mar 30	1999 High	1999 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3558.39	3586.53	3530.73	3615.93	3260.29	3670.82	2433.97
DJ Euro Stx 50	3573.80	3659.86	3523.24	3685.36	3325.58	3685.36	2419.23
MSCI Europe	(u)	1218.74	1217.99	1228.12	1153.00	1316.55	510.78

Source: Financial Times Information. *Subject to revision next day. (u) unavailable.

For real-time FTSE Eurotop 300 index quotes call FT Cityline on 0906 843 5920. Calls are charged at 60p per minute at all times.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Apr 01 National & Regional Markets	Euro index	Day's %	change points	Yield gross %	xd adj ytd	Total rtn (Euro) €
FTSE Eurotop 300	1261.08	+0.17	+2.18	2.02	4.83	1303.63
FTSE Eurotop 100	2930.87	+0.37	+10.81	1.99	11.30	1054.84
FTSE Eurobloc 100	1032.64	+0.11	+1.16	1.98	1.37	1049.81
FTSE EuroMid	1217.54	−0.73	−8.89	2.91	5.97	1267.83
FTSE EuroMid Eurobloc	1195.68	+0.14	+1.65	2.55	3.32	1224.36
FTSE EuroMid Ex UK	1240.59	−0.53	−6.61	2.39	3.22	1268.84
FTSE Eurotop 300 Regions						
Eurobloc	1288.78	+0.09	+1.12	1.90	2.06	1318.51
UK	1235.77	+0.36	+4.41	2.46	9.80	1308.26
Europe Ex-Eurobloc	1243.67	+0.26	+3.23	2.15	7.59	1296.30
Europe Ex-UK	1275.67	+0.07	+0.89	1.79	2.05	1301.87
FTSE Eurotop Industry Sectors						
RESOURCES	1009.70	−1.84	−18.91	2.90	3.69	1060.38
Mining	950.26	+0.31	+2.90	3.84	21.37	994.32
Oil & Gas	974.15	−1.92	−19.10	2.87	2.82	1001.18
BASIC INDUSTRIES	1109.78	+1.01	+11.12	2.58	8.07	1138.82
Chemicals	842.66	+1.72	+14.28	2.55	2.47	860.36
Construction & Bld Matls	1034.39	−0.92	−9.61	2.18	1.13	1044.64
Forestry & Paper	965.60	+0.02	+0.20	4.01	38.68	1050.53
GENERAL INDUSTRIALS	1149.10	+0.31	+3.55	2.41	5.60	1179.42
Aerospace & Defence	780.00	+0.19	+1.45	2.30	3.94	794.63
Diversified Industrials	970.67	+1.13	+10.88	2.09	0.00	992.87
Electronic & Elect Equip	1068.71	−0.43	−4.58	1.81	9.86	1084.89
Engineering & Machinery	1047.77	+0.16	+1.71	4.46	5.83	1069.35
CYCLICAL CONS GOODS	1272.88	+0.49	+6.21	2.38	0.60	1308.53
Automobiles	927.10	+0.78	+7.18	2.45	0.53	936.23
Household Goods & Texts	1375.17	−0.78	−10.82	2.07	0.00	1386.91
NON-CYC CONS GOODS	1244.42	+0.50	+6.22	1.47	5.29	1284.23
Beverages	933.15	−1.44	−13.66	2.43	10.32	963.94
Food Producers & Process	888.34	−1.41	−12.66	1.72	1.41	900.15
Health	1074.23	−2.54	−27.97	1.00	0.00	1090.30
Packaging	778.59	−0.62	−4.82	1.16	0.00	779.56
Personal Care & Hse Prods	1109.69	+2.54	+27.52	0.91	1.94	1121.15
Pharmaceuticals	1169.73	+1.39	+16.01	1.17	4.40	1180.74
Tobacco	1324.22	−0.88	−11.80	3.77	26.75	1376.19
CYCLICAL SERVICES	1314.14	−0.14	−1.86	2.09	4.18	1356.92
Distributors	593.71	−0.14	−0.85	1.58	0.00	600.38
General Retailers	1069.47	+0.22	+2.32	2.29	1.27	1092.86
Leisure Entertmt & Hotels	975.72	−1.55	−15.38	2.16	8.72	998.59
Media & Photography	1236.56	−0.08	−0.96	1.81	6.39	1258.36
Rests, Pubs & Breweries	863.63	+1.00	+8.56	3.32	3.71	892.84
Support Services	1057.64	+0.37	+3.95	1.26	1.10	1069.94
Transport	966.50	−1.59	−15.60	2.84	6.18	989.47
NON-CYCLICAL SERVS	1362.43	+0.75	+10.10	1.32	0.48	1402.81
Food & Drug Retailers	1062.95	+0.23	+2.49	2.02	0.51	1079.71
Telecommunications Servs	1345.71	+0.85	+11.40	1.19	0.43	1366.21
UTILITIES	1398.74	+0.43	+5.94	3.14	6.20	1489.75
Electricity	1056.56	+0.16	+1.64	3.33	5.57	1095.87
Gas Distribution	1195.06	+1.03	+12.16	1.63	1.00	1316.90
Water	892.36	+1.08	+9.52	5.51	5.94	940.38
FINANCIALS	1339.69	+0.29	+3.89	2.18	6.64	1383.33
Banks	954.53	+0.66	+6.30	2.55	6.52	985.29
Insurance	980.90	−0.04	−0.44	1.41	1.78	994.52
Life Assurance	1097.53	−0.92	−10.16	1.83	4.55	1116.32
Investment Companies	1000.86	+0.17	+1.71	1.28	0.00	1024.88
Real Estate	728.68	−1.74	−12.93	3.43	1.67	749.39
Speciality & Other Fin	1023.71	−0.45	−4.62	2.21	2.94	1043.83
INFORMATION TECH	983.21	−0.03	−0.32	0.85	4.42	990.31
Information Tech Hardware	1091.57	+0.57	+6.21	0.94	6.24	1100.95
Software & Computer Serv	732.38	−2.10	−15.69	0.55	0.15	734.25

Further information is available on http://www.ftse.com. © FTSE International Limited 1999. All rights reserved. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International.

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Apr 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA
[illegible]												
South Africa	(R)	[illegible]	−0.0514	982 - 097	6.6459	6.5966	6.6685	−11.6	6.7950	−11.5	7.3033	−10.6
South Korea	(Won)	1315.05	−6.3100	320 - 891	1321.90	1313.20	-	-	-	-	-	-
Taiwan	(T$)	36.5274	−0.2116	939 - 608	35.7440	35.4890	35.7159	−6.4	36.0268	−5.8	37.1187	−4.5
Thailand	(Bt)	40.4595	−0.1555	144 - 045	40.6416	40.3290	40.5757	−3.4	40.8070	−3.4	42.1377	−4.1
UAE	(Dirham)	3.9381	−0.0241	372 - 389	3.9750	3.9340	3.9455	−2.3	3.9615	−2.4	4.0425	−2.7

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

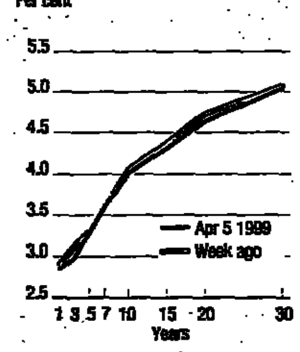
BONDS

INTEREST RATE SWAPS

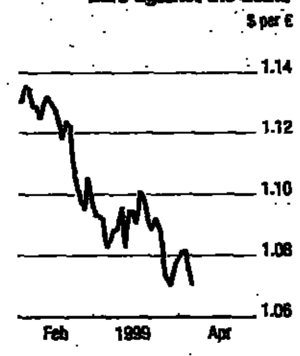
Apr 01	Euro-€ Bid	Euro-€ Ask	£ Stg Bid	£ Stg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	2.93	2.96	5.20	5.23	1.38	1.42	5.26	5.29	0.25	0.28
2 year	3.00	3.04	5.20	5.23	1.63	1.71	5.48	5.51	0.36	0.39
3 year	3.17	3.21	5.28	5.32	1.88	1.96	5.61	5.64	0.56	0.59
4 year	3.37	3.41	5.32	5.36	2.11	2.19	5.71	5.74	0.79	0.82
5 year	3.58	3.62	5.33	5.37	2.32	2.40	5.79	5.82	1.05	1.08
6 year	3.78	3.82	5.34	5.38	2.52	2.60	5.86	5.89	1.29	1.32
7 year	3.96	4.00	5.35	5.39	2.72	2.80	5.92	5.95	1.50	1.53
8 year	4.14	4.18	5.36	5.40	2.91	2.99	5.98	6.01	1.68	1.71
9 year	4.27	4.31	5.37	5.41	3.08	3.16	6.02	6.05	1.84	1.87
10 year	4.37	4.41	5.38	5.42	3.22	3.30	6.07	6.10	1.97	2.00
12 year	4.53	4.57	5.40	5.45	3.45	3.55	6.16	6.19	2.21	2.24
15 year	4.73	4.77	5.42	5.47	3.71	3.81	6.26	6.29	2.47	2.51
20 year	4.95	4.99	5.43	5.48	3.98	4.08	6.35	6.38	2.66	2.70
25 year	5.07	5.11	5.42	5.49	4.07	4.17	6.35	6.39	2.73	2.77
30 year	5.13	5.17	5.42	5.49	4.16	4.26	6.34	6.37	2.79	2.84

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor. £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor. Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Europe Limited.

Euro bond yield curve



Euro against the dollar



Source: Interactive Data/FT Information

EURO-ZONE BONDS

Apr 05	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ SOVEREIGNS								
UK	01/01	4.250	AAA	102.872	2.71	+0.00	−0.50	−0.17
Denmark	01/02	4.750	AA+	104.056	3.18	+0.00	−0.15	+0.19
Sweden	02/01	5.000	AA+	103.454	3.03	+0.00	−0.20	+0.15
Greece	11/06	6.750	BBB	114.686	4.43	+0.01	−0.07	+0.81
■ SUPRANATIONALS								
ADB	10/07	5.500	AAA	108.198	4.33	+0.01	−0.10	+0.56
EIB	04/08	5.000	AAA	105.834	4.21	+0.01	+0.03	+0.30
Eurofima	12/09	5.625	AAA	109.051	4.54	+0.00	−0.06	+0.51
World Bank	04/05	7.125	AAA	117.714	3.78	+0.00	−0.09	+0.32
■ UTILITIES								
EDF	10/03	3.750	n/a	101.784	3.32	+0.00	−0.15	+0.18
TEPCO	02/03	4.750	AA	103.765	3.69	+0.00	−0.18	+0.55
Quebec Hydro	03/08	5.375	A+	105.312	4.64	+0.01	−0.08	+0.73
Norsk Hydro	10/99	7.250	A	101.811	3.38	+0.00	−0.18	+0.57
■ FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	107.021	4.54	+0.00	+0.02	+0.45
OKB	09/07	5.750	AAA	110.743	4.21	+0.01	−0.02	+0.44
Credit Local	04/08	5.250	AA+	106.370	4.38	+0.01	−0.12	+0.47
Abbey Natl	01/09	5.000	AA−	101.336	4.82	+0.00	−0.01	+0.79
■ INDUSTRIALS								
Unilever	10/01	5.125	AAA	104.489	3.22	−0.01	−0.19	+0.34
McDonalds	03/08	5.125	AA	104.974	4.44	+0.01	−0.03	+0.53
Philip Morris	06/08	5.625	A	103.871	5.09	+0.01	+0.06	+1.18
BAT Int Fin	07/06	5.375	A−	103.326	4.82	+0.01	−0.12	+1.20
■ PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	105.875	3.14	−0.01	−0.28	+0.26
Eurohypo AG	01/04	5.000	n/a	106.383	3.52	+0.00	−0.25	+0.22
Bayer Vereins	01/06	6.000	n/a	112.178	3.92	+0.00	−0.19	+0.30
Depfa	07/08	4.750	n/a	103.535	4.28	+0.00	−0.15	+0.37
■ HIGH YIELD								
Geberit	04/07	10.125	B+	115.500	5.99	+0.00	−0.56	+2.22
Colt Telecom	11/07	8.875	n/a	108.716	7.79	+0.00	+0.05	+4.02
Impress Metal	05/07	9.875	B	111.000	7.31	+0.00	−0.21	+3.54
Remy Cointreau	07/05	10.000	B+	105.250	8.89	+0.00	−1.65	+5.43

Standard & Poor's ratings. Source: Interactive Data/FT Information.

FTSE EUROTOP 300

[illegible]

COMMODITIES & AGRICULTURE

EXPORTS INDICES FALL IN RESPONSE TO REDUCTION IN CONTRACT PRICES OF COAL AND IRON ORE

Australian dollar shrugs off commodity price cuts

By Stephen Wyatt in Sydney

The Australian dollar remains unperturbed by the recent reduction in the contract prices of coal and iron ore and the accompanying fall in Australian commodity price indices.

This is because lower coal and iron ore prices had already been discounted by currency traders, and most traders follow the CRB index of commodity prices rather than Australian indices.

The Commonwealth Bank's commodity price index expressed in US dollars fell by 3.4 per cent and the Colonial State Bank's index of Australian commodity prices fell by 5.4 per cent in US dollar terms and by 6.5 per cent in Australian dollar terms.

The price cuts of about 18 per cent for coal and 11 per cent for iron ore apply to Australian exports to Japan over the Japanese fiscal year beginning April 1 1999.

Coal is Australia's largest commodity export, forecast by the Australian Bureau of Agricultural and Resource Economics (ABARE) to generate A$8.05bn (US$5.1bn) in export income in 1999-2000, and iron ore is its fourth largest, after gold and aluminium.

Iron ore is forecast by ABARE to generate A$3.74bn in export income in 1999-2000.

Because of the prominence of these exports and the significant fall in their prices, they have impacted heavily on Australian commodity price indices.

There are a number of such indices – the Reserve Bank commodity price index, Dresdner commodity price index, Commonwealth Bank commodity price index and the Colonial State index.

But some economists suggest there are signs that the coal and iron ore markets may be bottoming out.

"It is too early to suggest a turnround in commodity markets because of supply overhangs," said Rob Henderson, chief economist with Dresdner Kleinwort Benson, Sydney.

"However, the new story for 1999 is that forecasts of growth are now being revised up, whereas, for 1998, revisions were consistently lower."

"Asia led the downturn in commodity markets when the region went into recession but Consensus Economics forecasts now suggest a turning point for Asia during 1999," said Mr Henderson.

And a pick-up in Asian economic activity would boost the commodity-sensitive Australian dollar.

Despite these early indications of a possible trend change in Australian commodity prices, however, the Australian dollar remains in a 60-65 US cent trading range as most currency traders still focus on the CRB commodity price index rather than Australian indices.

But a number of Australian economists are critical of this currency market fascination with the CRB index.

The CRB index is just a simple average of 17 US commodity futures markets, many irrelevant to Australia, and does not include critical Australian exports such as coal or iron ore or wool.

NALCO recovers majority of output

By Kunal Bose in Bhubaneswar

National Aluminium Company's 218,000 tonne capacity smelter, which started collapsing in April 1998, is almost back to normal production.

The management says poor plant maintenance and staff negligence were as much responsible for the smelter failure as last year's unusually hot summer.

"We have been able to put 405 of the 480 pots in the smelter in the production stream. In normal times NALCO smelts the metal in 235 pots. It will take us another three months to come to that stage," said SN Johri, chairman.

As the smelter was partly operational during 1998-99 NALCO, which owns India's largest aluminium complex, lost over 54,000 tonnes of metal production.

In spite of this, the company exported 40,000 tonnes of aluminium against 55,475 tonnes in the previous year. Mr Johri said Nalco would lift aluminium production to 208,000 tonnes in 1999-2000, up from the record 203,000 tonnes in 1996-97.

As the company is to expand its alumina refinery from 800,000 tonnes to 1.575m tonnes as well as increase bauxite mining capacity to 4.8m tonnes by early next year, it will sign long-term contracts with a number of "stand-alone smelters" abroad for supply of alumina.

The company's Rs37.27bn ($878m) expansion programme includes raising smelter capacity to 345,000 tonnes. "Our objective is to export 33 per cent of metal production following smelter expansion. Since NALCO is one of the lowest cost producers of alumina and aluminium, we are making profits even at today's low prices," said Mr Johri.

Japanese commodity funds ask if their luck can last

Guaranteed returns are one reason investors have come flocking but that may soon change, writes **Alexandra Nusbaum**

Futures trading was born three centuries ago at a rice market in Osaka, as merchants met to haggle over the price of rice deliveries. But despite this early showing, commodity trading has never inspired ordinary Japanese investors.

Japan is trying to bolster commodity-related activities, however, as deregulation on investment trusts takes place. Over the past 12 months, there has been a surge in sales of commodity funds, so called because over 50 per cent of capital must be invested in a commodity.

With more deregulation expected this year, and Japanese investors' habits changing, the intriguing question is how much further this interest in commodity products can go.

The track record looks startling. In the year to March 1998, new capital flowing into the industry jumped from Y34.6bn to Y140.7bn ($287m to $1.2bn). In the nine months to December, it slowed to only Y53.9bn.

However, even the slower pace of growth has increased new funds from 22 in 1997 to 38 during calendar 1998, pushing the number of funds to 198 with Y578bn of capital by the end of last year, against Y349bn in March 1996. The surge is partly the result of deregulation that has eliminated minimum investment requirements and slashed the tax burden on funds sold through Japanese trust banks.

"Lower minimum requirements mean that more people are investing, but they are putting in less money," said Kenji Nakawaki, senior manager in the business planning department at Orix, Japan's largest leasing company.

Another factor attracting investors is that Japanese trust banks have been allowed recently to handle commodity funds for the first time. This privilege used to be restricted to overseas banks based in tax havens, which are often viewed with suspicion by Japanese investors.

Trust banks, by contrast, are household names, says Mr Nakawaki. Orix is now using Yamaichi Trust to sell its funds. A further advantage is that commodity funds sold through trust banks carry a 20 per cent tax rate, lower than for offshore banks.

Commodity funds have a third attraction: they allow Japanese investors to take a small risk in a relatively controlled fashion. This is in sharp contrast to the investment alternatives, which either involve a high-risk fund or no risk at all.

The reason is that the commodity funds spread their investments across a range of sectors. Orix, the leading commodity fund manager with 28 per cent market share, for example, invests at least 50 per cent in gold futures to meet the mandatory commodity investment and guarantee a minimum return. But the remaining capital is structured to meet investors' risk and return objectives.

Explaining risk to Japanese consumers is far from easy. Orix's 2,000-strong sales force finds the 100,000 executives and "salarymen" who are their target pool of customers do not always realise that achieving returns demands risking capital, according to Mr Nakawaki.

Orix, however, can boast returns as high as 36 per cent since 1994. Furthermore, commodity funds still guarantee a minimum return – unlike their rival investment trusts, which have no such guarantee.

"Investment trusts may not be appealing to some Japanese investors who have been used to protection of principal and fixed returns," said Hirokazu Morimoto, manager in the capital markets division of Bank of Tokyo-Mitsubishi, which has 10 per cent of the market, or Y60bn of funds.

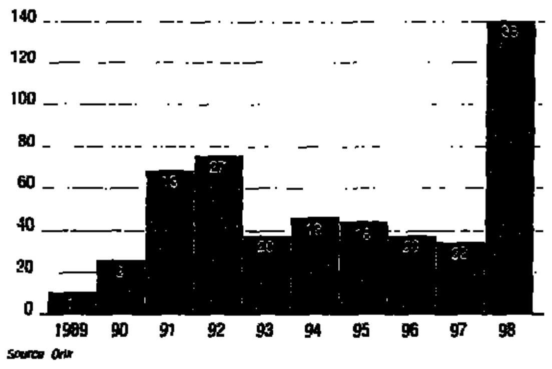
This type of success has certainly cheered the banks – particularly since sales of investment trusts, which enjoyed popularity after last year's deregulation, have tapered off.

Less clear is whether the surge can last. In coming months, further deregulation will affect the sector, allowing the commodity funds to invest less than 50 per cent of the capital in commodities. Though this might make the funds more attractive in theory, it could rob them of their key distinction from investment trusts: guaranteed returns.

There are already signs the banks may be trying to focus more on investment trusts than commodity funds, says Mr Nakawaki.

Another official commented: "In the US, the investment trusts are bigger than the commodity funds. Japan will probably follow that pattern."

Commodity funds
New funds in March (Ybn), figure at top of bar is total number of funds



Source: Orix

India expecting a record crop

By Mark Nicholson in New Delhi

India should reap a record crop of essential food-grains this year, up more than 4 per cent from last year's disappointing harvest.

The crop of rice, wheat, pulses and coarse cereals being gathered is expected to total 200.8m tonnes, up from last year's 192.4m tonnes, thanks to good rice and pulse harvests, according to agriculture ministry estimates.

The estimates outstrip earlier finance ministry projections and could push estimates of India's overall gross domestic product growth rate this year above 5.8 per cent – a figure already underpinned by a stronger agricultural performance.

The ministry believes the *rabi*, or winter crops, being harvested between now and May will post record rice and pulse production, with commercial crops including sugar cane and oil-seeds also showing gains.

Combined *kharif*, or summer crops, and rabi crops are estimated to show a record 84.5m-tonne rice crop, up 2.6 per cent on a year earlier, with pulses also likely to show record total output of 15.2m tonnes, up 16 per cent.

Output of wheat is expected to reach 70.6m tonnes, a 7 per cent rise on a year earlier and also a record.

Likewise, sugar cane production of an estimated 282.7m tonnes, and total oil-seed output of 25.3m tonnes could also set fresh highs.

Though the rise in food-grain production, which provides India's food security in staples, is above 4 per cent this year, independent analysts say this reflects a rebound from last year's poor harvest, which was 3.5 per cent lower than the previous year.

Overall, according to analysis by Investment Research and Information Services (IRIS), an independent economic think-tank, growth rates in output of food staples over the past few years, and into the future, are failing to keep pace with population growth.

IRIS estimates that per capita availability of food-grains slipped in 1998 to its lowest level in recent years, of 200.7kg per person, lower than the 208.4 kg per person in 1991, when India embarked on sweeping economic reforms.

US COMMODITY PRICES

HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	62.50	+0.15	62.50	62.15	754	973
May	63.00	+0.15	63.10	62.40	4,627	34,875
Jun	63.40	+0.15	63.30	63.00	87	2,083
Jul	63.80	+0.20	63.85	63.15	872	10,780
Aug	64.15	+0.15	64.05	63.75	6	1,567
Sep	64.55	+0.15	64.30	64.10	–	5,080
Total					6,579	68,312

Precious Metals continued

GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	278.3	–1.6	280.1	277.5	469	773
Jun	280.3	–1.7	282.0	279.1	12,745	119k
Aug	282.3	–1.7	283.6	281.5	74	9,435
Oct	284.3	–1.7	285.0	284.2	120	3,297
Dec	286.2	–1.7	287.8	285.2	111	15,757
Total					13,817	189,654

PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	359.6	+0.6	363.0	360.0	333	928
Jul	362.1	+0.1	364.5	362.0	1,199	10,697
Oct	362.8	+0.1	–	–	–	1,132
Total					1,543	12,881

PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	356.00	+2.15	358.00	353.85	673	2,584
Sep	351.00	+2.15	–	–	–	224
Dec	344.00	+2.15	–	–	–	126
Total					673	2,949

SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	491.8	–11.0	504.0	490.5	5,564	40,880
Jul	494.8	–10.8	505.5	493.0	1,101	16,112
Sep	497.0	–10.8	500.0	498.0	226	5,323
Dec	499.0	–10.4	510.0	497.0	306	9,821
Jan	498.4	–10.4	–	–	–	14
Mar	499.8	–10.2	504.8	502.0	–	2,450
Total					7,285	79,582

ENERGY

CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	16.95	+0.31	17.03	16.50	53,571	149k
Jun	16.89	+0.25	16.95	16.48	26,148	98,769
Jul	16.78	+0.17	16.82	16.47	7,905	60,822
Aug	16.60	+0.08	16.69	16.38	3,204	31,038
Sep	16.52	+0.12	16.52	16.23	3,215	19,881
Oct	16.32	+0.04	16.40	16.16	–	19,191
Total					104,975	613,509

HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	44.00	+0.80	44.05	43.00	11,484	47,880
Jun	44.20	+0.73	44.20	43.20	3,422	23,708
Jul	44.40	+0.68	44.40	43.50	1,784	16,486
Aug	44.70	+0.53	44.80	44.50	455	17,068
Sep	45.40	+0.63	45.45	44.55	389	9,069
Oct	45.85	+0.43	46.10	45.85	–	6,415
Total					20,752	171,721

NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
May	2.055	+0.017	2.085	2.045	59,505	54,204
Jun	2.075	+0.020	2.110	2.070	14,980	23,621
Jul	2.095	+0.023	2.110	2.085	7,722	19,930
Aug	2.110	+0.022	2.135	2.100	11	16,935
Sep	2.135	+0.030	2.140	2.120	4,832	17,329
Oct	2.180	+0.027	2.170	2.145	2,744	13,711
Total					189,476	289,640

UNLEADED GASOLINE NYMEX (42,000 US galls., c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	53.85	+0.75	53.85	52.65	19,114	48,829
Jun	53.70	+0.81	53.70	52.60	5,831	23,234
Jul	52.95	+0.56	53.10	52.00	2,446	18,019
Aug	52.05	+0.56	52.20	51.10	337	6,630
Sep	50.70	+0.31	50.90	50.30	572	4,346
Oct	49.00	+0.36	49.00	48.50	–	2,728
Total					28,172	112,287

GRAINS AND OIL SEEDS

WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	279.25	+2.50	281.50	274.50	7,885	36,912
Jul	288.75	+2.50	292.00	284.00	15,124	50,295
Sep	299.75	+2.00	301.50	295.00	1,050	6,610
Dec	315.00	+2.75	316.50	309.50	1,656	14,704
Mar	324.25	+3.50	326.00	320.00	112	3,251
Jul	336.00	+3.00	336.00	333.50	34	322
Total						-112,098

MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	218.75	–3.25	222.00	218.25	35,039	115,143
Jul	224.75	–3.25	228.00	223.75	16,229	111,890
Sep	231.00	–2.50	233.25	230.00	3,106	24,246
Dec	239.25	–2.00	241.50	237.75	11,842	83,116
Mar	246.50	–2.25	249.25	246.00	1,095	13,842
May	251.50	–1.75	253.25	249.50	25	21.5.4
Total						-354,845

SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	482.00	–1.25	487.75	479.00	37,161	54,414
Jul	490.25	–1.50	496.00	487.75	9,017	46,778
Aug	493.25	–1.25	499.50	491.00	1,981	14,527
Sep	496.25	–0.75	502.00	494.50	1,354	7,639
Nov	506.00	–0.25	511.50	503.00	7,068	34,205
Jan	518.50	–0.50	521.00	513.50	329	323
Total						-161,551

SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	18.13	–0.24	18.37	18.07	9,124	39,948
Jul	18.41	–0.16	18.66	18.40	7,722	33,218
Aug	18.61	–0.14	18.80	18.63	1,034	8,780
Sep	18.75	–0.15	18.95	18.75	583	8,821
Oct	18.90	–0.18	19.12	18.92	321	6,034
Dec	19.16	–0.12	19.36	19.12	–	22,384
Total						-133,605

SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	137.3	+0.8	137.5	134.9	7,375	37,564
Jul	139.1	+1.2	139.3	134.1	6,020	34,001
Aug	140.2	+1.9	140.5	136.0	2,108	11,956
Sep	141.5	+1.6	142.0	137.5	619	9,422
Oct	143.2	+2.4	143.5	141.6	735	5,142
Dec	146.1	+2.3	147.0	143.5	–	14,294
Total						-113,329

SOFTS

COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1151	–10	1165	1148	4,708	25,167
Jul	1179	–12	1195	1177	2,245	16,140
Sep	1212	–6	1215	1209	318	8,798
Dec	1254	–6	1257	1248	87	6,267
Mar	1295	–3	1295	1292	90	6,629
May	1320	–3	–	–	–	3,877
Total					4,690	38,754

COCOA (ICCO) (SDR's/tonne)

Mar 31	Price	Prev. day
Daily	956.60	946.99

COFFEE "C" CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	107.30	–2.75	109.90	106.50	3,590	17,646
Jul	108.75	–2.65	111.25	108.00	887	11,339
Sep	110.50	–2.30	111.50	110.00	170	5,460
Dec	112.00	–2.20	112.50	111.25	35	3,268
Mar	113.15	–2.75	112.85	112.50	8	908
Total					4,690	38,754

COFFEE (ICO) (US cents/pound)

Apr 1	Price	Prev. day
Comp daily	91.24	92.94
15 day average	89.24	89.18

SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	5.62	+0.03	5.65	5.55	17,833	67,688
Jul	5.38	+0.01	5.40	5.32	8,383	54,689
Oct	5.83	+0.04	5.83	5.77	5,880	32,647
Mar	6.41	+0.04	6.42	6.37	455	19,368
May	6.47	+0.04	6.49	6.49	23	3,212
Jul	6.55	+0.06	6.54	6.52	–	2,138
Total					32,591	181,413

COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	60.09	+0.24	60.45	59.25	1,871	21,274
Jul	59.40	+0.25	60.65	59.80	898	15,659
Oct	59.70	+0.35	59.80	59.40	18	1,782
Dec	59.40	+0.15	59.60	59.05	862	15,060
Mar	60.45	+0.30	60.50	60.50	73	3,302
May	61.05	+0.35	–	–	–	1,308
Total					3,665	59,356

Softs continued

ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	83.20	+0.25	84.50	82.30	597	17,386
Jul	83.90	–0.10	85.90	83.40	168	5,549
Sep	85.15	–0.10	85.95	85.25	6	2,632
Nov	87.00	+0.45	87.25	86.60	58	2,614
Jan	88.50	+0.30	88.75	88.75	13	2,225
Mar	90.50	+0.30	90.00	90.00	–	317
Total					846	30,758

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	67.650	+0.550	68.100	67.550	221	25,261
Jun	65.225	+0.775	65.375	64.700	183	45,472
Aug	63.475	+0.725	63.600	62.950	21	19,326
Oct	65.575	+0.425	65.725	65.300	3	10,939
Dec	67.375	+0.475	67.600	67.150	417	5,188
Feb	68.625	+0.400	68.750	68.300	–	1,821
Total					23,298	110,208

LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	43.375	+0.900	43.500	42.400	14	6,883
Jun	54.100	+1.150	54.425	52.750	45	16,517
Jul	55.850	+1.050	55.950	54.700	16	5,369
Aug	56.000	+0.475	56.400	55.600	57	5,533
Oct	54.600	+0.200	54.900	54.200	24	6,822
Dec	54.700	+0.200	54.800	54.500	1	3,325
Total					8,536	45,279

PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
May	51.275	+0.725	52.200	50.700	14	2,942
Jul	52.300	+0.600	53.000	51.650	3	1,327
Aug	51.075	+0.550	52.000	51.000	1	434
Total					724	4,701

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

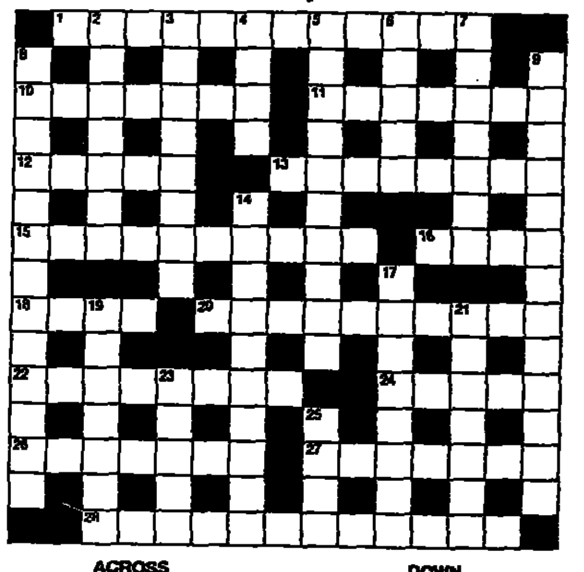
FUTURES DATA
All futures data supplied by CMS.

JOTTER PAD

For solutions to today's crossword call 0906 843 0060. Calls cost 60p a minute.

CROSSWORD

No.9,954 Set by GRIFFIN



ACROSS

1 Male relatives at girl's home in error (7-2-3)
10 I'm to go by way of blind alley (7)
11 Left a girl inside for each architect (7)
12 Fish sailors rejected, having soft inside (5)
13 Avoiding reality space traveller is getting married (8)
15 Educated old boy starts to strike out (10)
16 Getting on as a good journalist (4)
18 Charge a pound – it makes sense (4)
20 Note for mum and/or me, perhaps (10)
22 Plastic inner got from gaseous element (8)
24 Essayist no taxi returned for (5)
26 Hermit, before accepting discharge (7)
27 From West Country area grain is hard (7)
28 Girl with Ned accepting mood should be easy-going (4-5)

DOWN

2 About to shock being without clothing! (7)
3 Pause, as man is standing by famous gallery (8)
4 Bank backs iron sovereign (4)
5 Burden for one million with a job (10)
6 Where Article 50 has to come first (5)
7 Twisting noise in part of plane (7)
8 Fred offers tin round – he's not done it before! (5,8)
9 Working men cheered and met for a drink (5-2-6)
14 Having one run tear round, continually being cheeky (10)
17 Gathering pack together, drill the top eleven (8)
19 Once over metre out it's unreasonable (7)
21 Refuse stuff a month before (7)
23 Think of love and sigh! (5)
25 Direction to take with despicable people (4)

Solution to Saturday's prize puzzle on Saturday April 17.
Solution to yesterday's prize puzzle on Monday April 19.

هكذا من الاصل

CURRENCIES & MONEY

No help for yen

By Richard Adams

The US dollar continued to strengthen against the Japanese yen during trading yesterday, despite a more upbeat message from the latest Japanese business survey.

The *Tankan* quarterly diffusion index showed the first rise in Japanese business sentiment since mid-way through 1997.

But the news failed to provide a springboard for the yen to rise against the dollar. Instead the dollar rose above Y121.5 during trading in Tokyo, after the Bank of Japan said it remained cautious in interpreting the economy-wide survey.

Traders said that volumes were very light in both Tokyo and New York, with London and the European markets closed for the Easter Monday holiday.

The dollar continued to rise later in New York, and briefly touched a one-month high against the yen of Y122.

The euro was again weaker, which some commentators attributed to worries over the conflict in Kosovo and the possible need for Nato to commit ground forces. That would likely help the US dollar, thanks to its status as a safe haven currency.

However, others said the Easter closure of the European financial centres meant there was little interest in trading the euro, which drifted around the $1.07 level against the dollar.

The euro's weakness came amid hope for a long-awaited first interest rate cut from the European Central Bank this month.

But Otmar Issing, the ECB's chief economist, gave the single currency some support when he emphatically rejected suggestions the euro would fall below $1 against the dollar.

"The most important cause [of the weakness of the euro] is to be seen in the strength of the US dollar," Mr Issing said.

"This, in turn, is based on positive economic data which surprise even the US Federal Reserve."

POUND SPOT FORWARD AGAINST THE POUND

Apr 5		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	20.5494	+0.0904	391 - 596	20.5888	20.4529	20.5082	2.4	20.4291	2.3	20.104	2.2	102.4
Belgium*	(BFr)	60.2428	+0.2849	127 - 728	60.2830	59.9600	60.1219	2.4	59.8802	2.3	58.937	2.2	102.0
Denmark	(DKr)	11.0963	+0.0471	888 - 038	11.1070	11.0438	11.0782	2.0	11.0429	1.9	10.8982	1.8	105.2
Finland*	(FM)	8.8793	+0.0391	748 - 837	8.8870	8.8380	8.8615	2.4	8.8274	2.3	8.6869	2.2	80.8
France*	(FFr)	9.7858	+0.0430	910 - 006	9.8041	9.7500	9.7782	2.4	9.7386	2.3	9.5836	2.2	105.3
Germany*	(DM)	2.9208	+0.0129	193 - 223	2.9241	2.9057	2.9149	2.4	2.9037	2.3	2.8575	2.2	100.0
Greece	(Dr)	488.406	+3.1620	941 - 871	488.871	485.294	490.221	-4.5	494.102	-4.7	506.084	-3.6	81.6
Ireland*	(I£)	1.1761	+0.0051	755 - 767	1.1771	1.1707	1.1737	2.4	1.1692	2.3	1.1506	2.2	92.8
Italy*	(L)	2891.58	+12.7100	014 - 303	2894.01	2878.02	2885.78	2.4	2874.65	2.3	2828.9	2.2	75.1
Luxembourg*	(LFr)	60.2428	+0.2849	127 - 728	60.2830	59.9600	60.1219	2.4	59.8802	2.3	58.937	2.2	102.0
Netherlands*	(Fl)	3.2910	+0.0145	888 - 926	3.2937	3.2756	3.2844	2.4	3.2717	2.3	3.2197	2.2	101.4
Norway	(NKr)	12.4535	+0.0535	502 - 568	12.4732	12.4055	12.4756	-1.8	12.4979	-1.3	12.5215	-0.5	94.8
Portugal*	(Es)	299.396	+1.3170	248 - 545	299.649	297.986	298.795	2.4	297.843	2.3	292.907	2.2	91.6
Spain*	(Pta)	248.477	+1.0920	353 - 601	248.860	247.310	247.978	2.4	247.022	2.3	243.091	2.2	76.4
Sweden	(SKr)	13.2586	+0.0470	450 - 685	13.2730	13.1825	13.2314	2.3	13.1829	2.2	12.9903	2.0	82.3
Switzerland	(SFr)	2.3858	+0.0123	850 - 881	2.3887	2.3789	2.3784	4.1	2.3628	4.0	2.3002	3.8	107.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.2
Euro	(€)	1.4934	+0.0068	926 - 941	1.4951	1.4864	1.4904	2.4	1.4847	2.3	1.461	2.2	-
SDR†	-	1.185800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6010	-0.0018	005 - 015	1.6058	1.6004	-	-	-	-	-	-	-
Brazil	(R$)	2.7661	-0.0008	612 - 709	2.7635	2.7626	-	-	-	-	-	-	-
Canada	(C$)	2.3962	-0.0060	946 - 977	2.4065	2.3946	2.3951	0.5	2.3935	0.5	2.389	0.3	78.2
Mexico	(New Peso)	15.1922	-0.0448	810 - 033	15.2523	15.1810	15.4433	-19.8	15.9108	-18.9	18.2688	-20.3	-
USA	($)	1.6012	-0.0027	007 - 017	1.6070	1.6007	1.6007	0.4	1.6001	0.3	1.6028	-0.1	106.4
Pacific/Middle East/Africa													
Australia	(A$)	2.5310	+0.0022	292 - 327	2.5344	2.5252	2.5298	0.5	2.5283	0.4	2.5257	0.2	82.1
Hong Kong	(HK$)	12.4098	-0.0209	051 - 145	12.4534	12.4051	12.4141	-0.4	12.4261	-0.5	12.6527	-2.0	-
India	(Rs)	67.9489	-0.1048	217 - 761	68.1880	67.9216	68.2225	-4.8	68.9586	-5.9	72.9574	-7.4	-
Indonesia	(Rupiah)	13898.44	+144.97	404 - 284	13918.20	13785.80	14198.97	-25.5	14849.9	-27.4	17839.3	-28.4	-
Israel	(Shk)	6.4779	+0.0077	694 - 864	6.4864	6.4652	-	-	-	-	-	-	-
Japan	(Y)	195.225	+1.8380	125 - 327	195.490	193.220	194.391	5.1	192.771	5.0	185.911	4.8	130.5
Malaysia‡	(M$)	6.0846	-0.0102	093 - 081	6.1061	6.0254	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.0044	-	015 - 078	3.0099	3.0015	3.0025	0.7	2.9995	0.7	2.9972	0.2	93.1
Philippines	(Peso)	61.8064	-0.3448	469 - 659	62.0659	61.7892	62.1677	-7.0	62.856	-7.4	66.1671	-7.1	-
Saudi Arabia	(SR)	6.0053	-0.0108	031 - 075	6.0269	6.0031	6.0084	-0.6	6.0178	-0.8	6.0786	-1.2	-
Singapore	(S$)	2.7797	+0.0025	772 - 822	2.7857	2.7678	2.7705	4.0	2.7548	3.6	2.7084	2.6	-
South Africa	(R)	9.8630	-0.0331	539 - 721	9.9031	9.8539	9.9386	-9.2	10.0861	-9.1	10.6702	-8.2	-
South Korea	(Won)	1983.87	-0.7500	086 - 689	1988.58	1980.98	-	-	-	-	-	-	-
Taiwan	(T$)	53.0558	-0.0815	992 - 124	53.2303	52.9992	53.2383	-3.9	53.4868	-3.2	54.2308	-2.2	-
Thailand	(Bt)	60.4213	+0.0344	484 - 962	60.5690	60.2570	60.4734	-1.0	60.5836	-1.1	61.5637	-1.9	-

† Rates for Mar 31. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria*	(Sch)	12.8337	+0.0779	313 - 361	12.8445	12.7516	12.8122	2.0	12.7688	2.1	12.543	2.3	102.1
Belgium*	(BFr)	37.6235	+0.2284	165 - 305	37.6550	37.3830	37.5605	2.0	37.4266	2.1	36.7713	2.3	102.0
Denmark	(DKr)	6.9300	+0.0411	273 - 325	6.9358	6.8853	6.921	1.6	6.901	1.7	6.7995	1.9	104.2
Finland*	(FM)	5.5454	+0.0337	443 - 464	5.5500	5.5099	5.5361	2.0	5.5184	2.1	5.4198	2.3	79.9
France*	(FFr)	6.1179	+0.0372	167 - 190	6.1230	6.0787	6.1076	2.0	6.0859	2.1	5.9798	2.3	104.6
Germany*	(DM)	1.8242	+0.0111	239 - 245	1.8257	1.8125	1.8211	2.0	1.8147	2.1	1.7829	2.3	102.5
Greece	(Dr)	305.025	+2.4850	830 - 220	305.220	302.570	306.26	-4.9	308.775	-4.9	315.75	-3.5	61.3
Ireland*	(I£)	1.3615	-0.0082	612 - 617	1.3702	1.3603	1.3638	-2.0	1.3685	-2.1	1.393	-2.3	-
Italy*	(L)	1805.89	+10.9700	555 - 622	1807.40	1794.34	1802.87	2.0	1796.44	2.1	1764.99	2.3	74.8
Luxembourg*	(LFr)	37.6235	+0.2284	165 - 305	37.6550	37.3830	37.5605	2.0	37.4266	2.1	36.7713	2.3	102.0
Netherlands*	(Fl)	2.0553	+0.0124	549 - 557	2.0570	2.0422	2.0518	2.0	2.0446	2.1	2.0088	2.3	101.2
Norway	(NKr)	7.7808	+0.0478	780 - 835	7.7902	7.7336	7.7941	-2.0	7.8103	-1.5	7.8123	-0.4	93.7
Portugal*	(Es)	186.982	+1.1350	947 - 017	187.140	185.790	186.669	2.0	186.004	2.1	182.747	2.3	92.0
Spain*	(Pta)	155.182	+0.9420	153 - 211	155.310	154.190	154.922	2.0	154.37	2.1	151.667	2.3	73.9
Sweden	(SKr)	8.2793	+0.0433	745 - 840	8.2894	8.2180	8.2662	1.9	8.2383	2.0	8.1048	2.1	81.9
Switzerland	(SFr)	1.4905	+0.0102	900 - 910	1.4910	1.4801	1.4858	3.7	1.4785	3.8	1.4351	3.7	106.7
UK	(£)	1.6012	-0.0027	007 - 017	1.6070	1.6007	1.6007	0.4	1.6001	0.3	1.6028	-0.1	102.3
Euro	(€)	1.0722	-0.0066	720 - 724	1.0791	1.0711	1.074	-2.0	1.0778	-2.1	1.0971	-2.3	-
SDR†	-	0.74040	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0006	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.7275	+0.0025	250 - 300	1.7300	1.7250	-	-	-	-	-	-	-
Canada	(C$)	1.4965	-0.0012	960 - 970	1.4995	1.4950	1.4963	0.2	1.4956	0.2	1.4906	0.4	77.8
Mexico	(New Peso)	9.4880	-0.0120	840 - 920	9.4920	9.4750	9.648	-20.2	9.943	-19.2	11.398	-20.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.3
Pacific/Middle East/Africa													
Australia	(A$)	1.5807	+0.0040	800 - 813	1.5825	1.5748	1.5803	0.3	1.5798	0.2	1.5792	0.1	81.6
Hong Kong	(HK$)	7.7503	-	498 - 508	7.7508	7.7498	7.7556	-0.8	7.7653	-0.8	7.8941	-1.9	-
India	(Rs)	42.4363	+0.0063	325 - 400	42.4420	42.4000	42.6213	-5.2	43.0838	-6.2	45.5188	-7.3	-
Indonesia	(Rupiah)	8680.00	+105.0000	000 - 000	8730.00	8600.00	8867.5	-25.9	9280	-27.8	11130	-28.2	-
Israel	(Shk)	4.0457	+0.0117	416 - 497	4.0443	4.0357	-	-	-	-	-	-	-
Japan	(Y)	121.925	+1.3500	900 - 950	122.010	120.480	121.445	4.7	120.465	4.8	115.99	4.9	133.2
Malaysia‡	(M$)	3.8000	-	500 - 500	3.8000	3.7585	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8763	+0.0031	751 - 776	1.8778	1.8741	1.8745	1.2	1.8728	0.8	1.8732	0.2	-
Philippines	(Peso)	38.6000	-0.1500	500 - 500	38.7500	38.4500	38.8385	-7.4	39.3425	-7.7	41.282	-6.9	-
Saudi Arabia	(SR)	3.7505	-0.0003	503 - 507	3.7507	3.7503	3.7537	-1.0	3.7605	-1.1	3.7925	-1.1	-
Singapore	(S$)	1.7360	+0.0045	350 - 370	1.7370	1.7305	1.7308	3.6	1.7215	3.3	1.6898	2.7	-
South Africa	(R)	6.1598	-0.0102	560 - 635	6.1650	6.1560	6.209	-9.6	6.3043	-9.4	6.6573	-8.1	-
South Korea	(Won)	1226.50	+1.6000	500 - 800	1228.00	1225.00	-	-	-	-	-	-	-
Taiwan	(T$)	33.1350	+0.0050	100 - 600	33.1600	33.1100	33.255	-4.3	33.425	-3.5	33.835	-2.1	-
Thailand	(Bt)	37.7350	+0.0650	000 - 700	37.7700	37.4700	37.78	-1.4	37.86	-1.3	38.41	-1.8	-

† SDR rate per $ for Mar 31. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 4.75 MYR/USD, a discount of 20% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Mar 31: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT. * EMU member. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Apr 1	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Euro-zone	3	2 29/32	2⅞	2⅞	2⅞	-	3.00	3.00
weekago	2 29/32	2 29/32	2 29/32	2 29/32	2 29/32	-	3.00	3.00
Switzerland	1[illegible]	1[illegible]	1[illegible]	1[illegible]	1[illegible]	-	1.00	-
weekago	1⅛	1[illegible]	1[illegible]	1[illegible]	1[illegible]	-	1.00	-
US	4⅞	4⅞	4[illegible]	5	5[illegible]	-	4.50	-
weekago	4¾	4⅞	4[illegible]	5[illegible]	5[illegible]	-	4.50	-
Japan	[illegible]	¼	[illegible]	[illegible]	[illegible]	-	0.50	-
weekago	[illegible]	¼	¼	¼	[illegible]	-	0.50	-
$ LIBOR BBA London								
Interbank Fixing	-	4[illegible]	5	5[illegible]	5¼	-	-	-
weekago	-	4[illegible]	5	5[illegible]	5[illegible]	-	-	-
US Dollar CDs	-	4.77	4.80	4.83	4.96	-	-	-
weekago	-	4.74	4.77	4.81	4.95	-	-	-
Euro Linked Ds	-	3[illegible]	3[illegible]	3[illegible]	3[illegible]	-	-	-
weekago	-	3	3	2[illegible]	2[illegible]	-	-	-
SDR Linked Ds	-	3[illegible]	3¼	3[illegible]	3[illegible]	-	-	-
weekago	-	3[illegible]	3¼	3[illegible]	3[illegible]	-	-	-
BBA Euro Libor	-	2[illegible]	2[illegible]	2[illegible]	2[illegible]	-	-	-
weekago	-	3	3	2[illegible]	3	-	-	-
Euro Euribor	-	2.963	2.942	2.920	2.939	-	-	-
weekago	-	3.008	2.998	2.975	2.992	-	-	-
EONIA	2.98	-	-	-	-	-	-	-
weekago	2.99	-	-	-	-	-	-	-
EUROMIA	-	-	-	-	-	-	-	-
weekago	2.9605	-	-	-	-	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

POUND IN NEW YORK

Apr 5	—Latest—	— Prev. close —
£ spot	1.6015	1.6030
1 mth	1.6010	1.6025
3 mth	1.6005	1.6020
1 yr	1.6033	1.6013

BANK RETURN

The Bank Return table can be found on page 29 in today's edition.

INTERNATIONAL CURRENCY RATES

Apr 1	Short term	7 days notice	One month	Three months	Six months	One year
Euro	3⅛ - 2[illegible]	3⅛ - 2[illegible]	3 - 2⅞	2[illegible] - 2[illegible]	2[illegible] - 2[illegible]	3⅛ - 2[illegible]
Danish Krone	3[illegible] - 3¾	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3⅞ - 3[illegible]
Sterling	4⅞ - 4¾	5¼ - 5⅛	5[illegible] - 5[illegible]	5[illegible] - 5¼	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]
Swiss Franc	1⅛ - [illegible]	1⅛ - [illegible]	1⅛ - 1	1[illegible] - 1[illegible]	1¼ - 1⅛	1⅜ - 1¼
Canadian Dollar	4[illegible] - 4[illegible]	4[illegible] - 4[illegible]	4⅞ - 4[illegible]	4⅞ - 4[illegible]	4⅞ - 4[illegible]	4[illegible] - 4¾
US Dollar	5[illegible] - 4[illegible]	4[illegible] - 4[illegible]	4[illegible] - 4[illegible]	5 - 4⅞	5⅛ - 4[illegible]	5[illegible] - 5[illegible]
Japanese Yen	¼ - [illegible]	[illegible] - [illegible]	[illegible] - [illegible]	¼ - ⅛	¼ - ⅛	¼ - ⅛
Asian $Sing	⅝ - -	2⅛ - 1¼	1⅞ - 1⅝	1⅞ - 1⅝	2⅛ - 1[illegible]	2⅜ - 2¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (CME) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.99	95.00	+0.01	95.00	94.99	59,872	455,049
Sep	94.90	94.91	+0.02	94.92	94.90	109,445	447,766
Dec	94.57	94.58	+0.02	94.59	94.57	33,992	351,411

US TREASURY BILL FUTURES (CME) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.71	95.72	+0.05	95.97	95.71	23	1,516

OTHER CURRENCIES

Apr 5	£	$
Czech Rp	57.3723 - 57.4562	35.8428 - 35.8720
Hungary	377.525 - 378.242	235.850 - 236.150
Iran	4805.10 - 4802.10	3000.00 - 3000.00
Kuwait	[illegible]	[illegible]
Peru	[illegible]	[illegible]
Poland	[illegible]	[illegible]
Russia	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

INTERNATIONAL BONDS

Apr 5	Red date	Coupon	S&P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs Govts
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing. Standard & Poor's ratings. Yields: Local market standard. Source: Interactive Data/FT Information

10 YEAR BENCHMARK SPREADS

Apr 5	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US INTEREST RATES

Latest		Treasury Bills and Bond Yields	
Prime rate	7¾	Two month	4.36
Broker loan rate	[illegible]	Three month	4.41
Fed.funds	[illegible]	Six month	4.57
Fed.funds at intervention	[illegible]	One year	4.67
		Two year	4.96
		Three year	4.97
		Five year	5.07
		10-year	5.21
		30-year	5.61

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US CORPORATE BONDS

Apr 5	Red date	Coupon	S&P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Sprd vs Govts
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US bonds: Standard & Poor's ratings. Yields: local market standard. Source: Interactive Data/FT Information

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.42	16.26	4.848	1.952	4800	5.463	20.68	497.0	412.5	22.01	3.962	1.660	3.978	2.658	324.1	2.479
Denmark	(DKr)	54.29	10	8.828	2.632	1.060	2606	2.966	11.23	269.8	223.9	11.95	2.151	0.901	2.159	1.443	175.9	1.346
France*	(FFr)	61.50	11.33	10	2.982	1.201	2952	3.360	12.72	305.6	253.7	13.53	2.436	1.021	2.446	1.635	199.3	1.525
Germany*	(DM)	20.63	3.799	3.354	1	0.403	990.0	1.127	4.265	102.5	85.07	4.539	0.817	0.342	0.820	0.548	66.84	0.511
Ireland*	(I£)	51.22	9.435	8.329	2.483	1	2459	2.798	10.59	254.6	211.3	11.27	2.029	0.850	2.037	1.361	166.0	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.431	10.35	8.593	0.458	0.083	0.035	0.083	0.055	6.752	0.052
Netherlands*	(Fl)	18.31	3.372	2.977	0.888	0.357	878.6	1	3.786	90.97	75.50	4.028	0.725	0.304	0.728	0.487	59.32	0.454
Norway	(NKr)	48.35	8.907	7.863	2.344	0.944	2321	2.642	10	240.3	199.4	10.64	1.916	0.803	1.923	1.285	156.7	1.199
Portugal*	(Es)	20.12	3.706	3.272	0.976	0.393	965.8	1.099	4.161	100	82.99	4.428	0.797	0.334	0.800	0.535	65.21	0.499
Spain*	(Pta)	24.24	4.466	3.942	1.175	0.473	1164	1.324	5.014	120.5	100	5.395	0.960	0.403	0.964	0.644	78.57	0.601
Sweden	(SKr)	45.44	8.370	7.389	2.203	0.887	2181	2.482	9.398	225.8	187.4	10	1.800	0.754	1.808	1.208	147.3	1.127
Switzerland	(SFr)	25.24	4.649	4.105	1.224	0.493	1212	1.379	5.220	125.5	104.1	5.555	1	0.419	1.004	0.671	81.80	0.626
UK	(£)	60.24	11.10	9.795	2.920	1.176	2891	3.291	12.46	299.4	248.4	13.26	2.387	1	2.396	1.601	195.2	1.493
Canada	(C$)	25.14	4.631	4.088	1.219	0.491	1207	1.373	5.199	124.9	103.7	5.532	0.996	0.417	1	0.668	81.47	0.623
USA	($)	37.62	6.930	6.118	1.824	0.735	1806	2.055	7.781	187.0	155.2	8.279	1.491	0.625	1.497	1	121.9	0.933
Japan	(Y)	30.86	5.684	5.018	1.496	0.602	1481	1.686	6.382	153.4	127.3	6.790	1.222	0.512	1.227	0.820	100	0.765
Euro	(€)	40.34	7.430	6.560	1.956	0.788	1936	2.204	8.343	200.5	166.4	8.877	1.598	0.670	1.605	1.072	130.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member

D-MARK FUTURES (CME) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	0.5534	0.5536	+0.0013	0.5550	0.5507	6,817	33,809
Sep	-	0.5553	-	-	-	11	1,251
Dec	-	0.5585	-	-	-	13	140

SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	0.6795	0.6802	+0.0010	0.6818	0.6772	14,402	63,200
Sep	-	0.6871	+0.0015	0.6871	-	3	348
Dec	-	[illegible]	[illegible]	[illegible]	-	17	6

JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	-	[illegible]	[illegible]	-	[illegible]	181	[illegible]
Dec	-	0.8693	-	-	-	2	403

STERLING FUTURES (CME) £62,500 per £

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	1.6114	1.6018	-0.0090	1.6130	1.6006	7,025	53,172
Sep	1.6050	1.6020	-0.0092	1.6050	1.6010	2	1,336
Dec	-	1.6030	-0.0092	-	1.6030	30	30

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.620	0.25	0.87	1.33	2.10	2.67	3.09
1.630	0.12	0.48	1.04		-	-
1.640	-	0.38	0.50	3.75	-	4.49

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BENCHMARK GOVERNMENT BONDS

Apr 5	Red Date	Coupon	Bid Price	Bid yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing. * New York closing. Yields: Local market standard. Prices and yields in this table include withholding tax at 12.5 per cent payable by nonresidents.

UK INTEREST RATES

LONDON MONEY RATES

Apr 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅞ - 4½	5¼ - 4⅞	5¼ - 5[illegible]	5¼ - 5⅛	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]
Sterling CDs	-	-	5⅜ - 5[illegible]	5[illegible] - 5[illegible]	5¼ - 5[illegible]	5¼ - 5[illegible]
Treasury Bills	-	-	5[illegible] - 5[illegible]	5[illegible] - 4[illegible]	-	-
Bank Bills	-	-	5[illegible] - 5[illegible]	5[illegible] - 4[illegible]	-	-
Local authority deps.	5¼ - 5⅛	5¾ - 5¼	5[illegible] - 5[illegible]	5[illegible] - 5¼	5¼ - 5⅛	5¼ - 5⅛
Discount Market deps	5½ - 5⅜	5¾ - 5¼	-	-	-	-

UK clearing bank base lending rate 5½ per cent from Feb 4, 1999

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Mar 12, 4.8934pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 31, 1999. Agreed rate for period Apr 26, 1999 to May 25, 1999, Scheme III 6.65pc. Reference rate for period Feb 27, 1999 to Mar 31, 1999, Schemes IV & V 5.410pc. Finance House Base Rate 5.5pc for Apr 1999.

BANK OF ENGLAND TREASURY BILL TENDER

	Apr 01	Mar 26		Apr 01	Mar 26
Bills on offer	£200m	£200m	Top accepted rate	4.8533%	4.8934%
Total of applications	£1,090m	£1,074m	Ave. rate of discount	4.8433%	4.8669%
Total allocated	£200m	£200m	Average yield	4.8025%	4.9267%
Min. accepted bid	£98.790	£98.780	Offer at next tender	£200m	£200m
Allotment at min. level	100%	13%	Min. accept. bid 28 days	£99.610	£99.610

BASE LENDING RATES

	%		%		%
Adam & Company	5.50	Exeter Trust Limited	6.50	Smith & Williamson	5.50
Allied Irish Bank (GB)	5.50	●Robert Fleming & Co	5.50	Sun Bank	5.50
●Henry Ansbacher	5.50	Habib Bank AG Zurich	5.50	TSB	5.50
Banco Bilbao Vizcaya	5.50	Heritable & Gen Inv Bk	5.50	United Bank of Kuwait	5.50
Bank of Cyprus	5.50	C. Hoare & Co	5.50	Unity Trust Bank Plc	5.50
Bank of Ireland	5.50	●SG Hambros Bank & Trust	5.50	Whiteaway Laidlaw	5.50
Bank of India	5.50	Hongkong & Shanghai	5.50	Yorkshire Bank	5.50
Bank of Scotland	5.50	Investec Bank (UK) Ltd	5.50		
Barclays Bank	5.50	Julian Hodge Bank	5.50		
Brit Bk of Mid East	5.50	●Leopold Joseph & Sons	5.50		
●Brown Shipley & Co Ltd	5.50	Lloyds Bank	5.50		
Citibank NA	5.50	Midland Bank	5.50		
Clydesdale Bank	5.50	NatWestminster	5.50		
The Co-operative Bank	5.50	●Rea Brothers	5.50		
Coutts & Co	5.50	Royal Bk of Scotland	5.50		
Cyprus Popular Bank	5.50	Scottish Widows Bank	5.50		
Duncan Lawrie	5.50	●Singer & Friedlander	5.50		

● Members of London Investment Banking Association

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line	Notes	Price £	Wk % +/-	Amnt £m
Shorts* (Lives up to Five Years)										
Treas Flg Rate 1999	100.0000	....	5,700	6Mr Je6Se6De	6.3	4945	Treas 12½pc 2003-5	131.8566	-3	2.20[illegible]
Exch 12¼pc 1999	100.0000	....	3,050	Se26 Mr26	22.3	1264	Treas 8½pc 2005	121.7039	-2	10,37[illegible]
Treas 10½pc 1999	100.6472	-2	1,252	Nv19 My19	10.11	1268	Conv 9½pc 2005	131.7676	-3	[illegible]
Treas 6pc 1999	100.3962	....	6,950	Fe10 Au10	1.2	3585	Treas 7¾pc 2006	118.8865	-2	4,00[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

AEROSPACE & DEFENCE

AUTOMOBILES

BANKS

BEVERAGES

CHEMICALS

CONSTRUCTION & BUILDING MATERIALS

CONSTRUCTION & BUILDING MATERIALS - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQUIPMENT

ENGINEERING & MACHINERY

ENGINEERING & MACHINERY - Continued

FOOD & DRUG RETAILERS

	Price	Wk% ch'nge	Div net	Div cov	Mid cap£m	Last xd	City line
Safeway	247¾	—	14.1	1.5	2,739	30.11	1843
Sainsbury J	384½	-3.0	14.17	1.9	7,379	9.11	3994
Somerfield	311xd	-7.8	12.1	2.2	1,533	1.2	1628
T & S Stores	294	8.1	9.35	φ	212.0	26.10	4163
Tesco	165xd	-4.0	3.83	2.2	11,073	28.9	4197
Thorntons	234xd	-7.9	8.65	2.2	154.9	15.3	5041
Whittard of Chelsea	58	-2.6	3.7	2.8	9.18	8.2	1580

FOOD PRODUCERS & PROCESSORS

	Price	Wk% ch'nge	Div net	Div cov	Mid cap£m	Last xd	City line
Acatos & Hutch	153	-10.8	6.5	-	67.0	3.98	1613
Albert Fisher	5	-4.8	1.85	0.8	30.9	27.4	2681
Anglo-East	48½	...	04.0	2.6	19.9	11.5	1818
Assoc Brit Foods	422½xd	-4.4	10.5	2.8	3,802	1.3	1674
Avalon	2½	-9.1	-	-	2.78	-	4359

FOOD PRODUCERS & PROCESSORS - Continued

	Price	Wk% ch'nge	Div net	Div cov	Mid cap£m	Last xd	City line
Banks (SC)	221xd	—	12.8	2.2	20.8	1.3	1747
Bensons Crisps	43xd	1.2	2.8	φ	18.9	8.2	1887
Bertam	82½	—	05.17	2.5	19.5	18.5	1780
Booker	58	-8.4	4.2	0.9	143.8	19.10	1872
Brake Bros	712½	7.5	12.3	3.3	371.2	30.11	1936
BH Prop A$	530¼	-9	051c	φ	11,887	7.5	—
CPL Aromas	70	-3.4	4.8	1.9	5.17	7.12	4446
Cadbury Schweppes	908½xd	-5	018.0	2.1	9,248	8.3	2030
Carr's Mill	87	—	5.0	φ	8.96	21.12	2875
Coag Alta	188	2.3	07c	-	8.15	3.98	-

FORESTRY & PAPER

GAS DISTRIBUTION

GENERAL RETAILERS

GENERAL RETAILERS - Continued

HEALTH

HOUSEHOLD GOODS & TEXTILES

	Price	Wk% ch'nge	Div net	Div cov	Mid cap£m	Last xd	City line
Airsprung	92½	-5.1	7.35	1.7	22.1	4.1	1538
Albion	87½	—	3.3	2.5	3.33	22.2	1546
Alexandra	125	1.2	7.0	2.0	42.2	2.11	1564
Allied Textile	184xd	-1.4	12.85	1.0	73.8	1.3	1558
Aquarius	128½	2.0	8.1	φ	28.2	26.10	2091
BLP	82½	11.9	5.0	φ	9.57	29.3	1871
Baird (Wm)	110xd	-4.0	10.5	1.4	128.9	29.3	1733
Black & Decker US$	234½	5.6	048c	-	3,210	9.9	-
Black Arrow	107½	3.9	5.0	2.6	25.8	30.11	1842
Brit Mohair	83½xd	0.1	4.0	0.2	11.1	29.3	1817
Calderburn	65½	—	3.0	φ	21.7	5.10	2234
Churchill China	82½	—	3.0	φ	8.74	14.9	4728
Coats Viyella	43½	12.2	03.0	-	307.8	16.11	2178
Coloroll & F	78½xd	-	2.8	0.9	22.2	8.3	5127
Cornwell Parker	85½	-	4.8	3.7	35.7	19.10	3890
Courtaulds Text	153½	1.7	15.3	φ	159.2	21.9	5305

HOUSEHOLD GOODS & TEXTILES - Continued

	Price	Wk% ch'nge	Div net	Div cov	Mid cap£m	Last xd	City line
Dallyan	2	14.3	0.32	φ	2.18	12.97	5029
Dawson Intl	18½	-4.3	1.1	-	32.8	3.98	2329
Denby	74	-7.5	4.95	2.7	25.1	14.12	3971
Dewhirst	77	-8.8	5.46	3.0	102.8	5.10	2349
Drummond	18	—	0.5	-	2.13	12.97	2381
Eclipse Blinds	108½xd	-9	3.72	φ	45.5	22.3	1865
Ebtel	19	—	1.2	2.6	2.41	28.9	2433
Electrolux B Skr	£12¼	2.6	050%	φ	4,380	30.4	1873
FII	18½xd	-5.1	4.0	-	4.29	8.3	2581
Fawcet Tide	28	3.7	2.69	2.0	3.28	29.12	4788

INFORMATION TECHNOLOGY HARDWARE

INSURANCE

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

MINING - Continued

REAL ESTATE - Continued

SPECIALITY & OTHER FINANCE - Continued

TRANSPORT - Continued

AIM - Continued

WATER

AMERICANS

STEEL & OTHER METALS

LEISURE, ENTERTAINMENT & HOTELS

OIL & GAS

CANADIANS

REAL ESTATE - Continued

STEEL & OTHER METALS - Continued

SOUTH AFRICANS

SUPPORT SERVICES

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

RESTAURANTS, PUBS & BREWERIES

PACKAGING

LIFE ASSURANCE

GUIDE TO LONDON SHARE SERVICE

MEDIA & PHOTOGRAPHY

PERSONAL CARE & HOUSEHOLD PRODUCTS

SOFTWARE & COMPUTER SERVICES

PHARMACEUTICALS

TELECOMMUNICATIONS SERVICES

TOBACCO

REAL ESTATE

TRANSPORT

FT Free Annual Reports Club

FT Cityline

SPECIALITY & OTHER FINANCE

The FT web site

MINING

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0906 843 0010 and key in a 5 digit code listed below. Calls are charged at 60p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

هكذا من الأصل

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0906 843 0010 and key in a 5 digit code listed below. Calls are charged at 60p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

AIB Govett (Channel Islands) Limited (1000)F

Barclays International Funds

Minerals, Oils Res. Shrs. Fd. Inc.

Murray Johnstone (Jersey) Limited

Newton Fund Managers (CI) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Royal Bank of Scotland Fund Managers (CI) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Fidelity Funds - Contd.

Lombard Odier Invest (u)

Schroder International Selection Fd - Contd.

Banque Ferrier Lullin (Lux) SA

Banque Internationale A Luxembourg

Henderson Independent Fund

International Bond Trust

INVESCO International Limited

InvesSud Investment Fund SICAV

Investissements Atlantiques SA

JP Morgan

Julius Baer Group

Scudder Global Opportunities Funds - Contd.

LUXEMBOURG (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

هكذا من الأصل

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Apr 1) 1 € = 13.7603 Sch

BELGIUM/LUX (Apr 1) 1 € = 40.3399 Frs.

GERMANY (Apr 1) 1 € = 1.95583 Dm.

FINLAND (Mar 31) 1 € = 5.94573 Mka

FRANCE (Apr 1) 1 € = 6.55957 Frs.

NETHERLANDS (Apr 1) 1 € = 2.20371 Fl.

IRELAND (Apr 1) 1 € = 0.78756 Punt

ITALY (Apr 1) 1 € = 1936.27 Lire

PORTUGAL (Apr 1) 1 € = 200.482 Esc.

SPAIN (Mar 31) 1 € = 166.386 Pta.

EUROPE (NON-EMU)

CZECH REP (Apr 2 / Koruna)

DENMARK (Mar 31 / Kr)

GREECE (Apr 5 / Drachma)

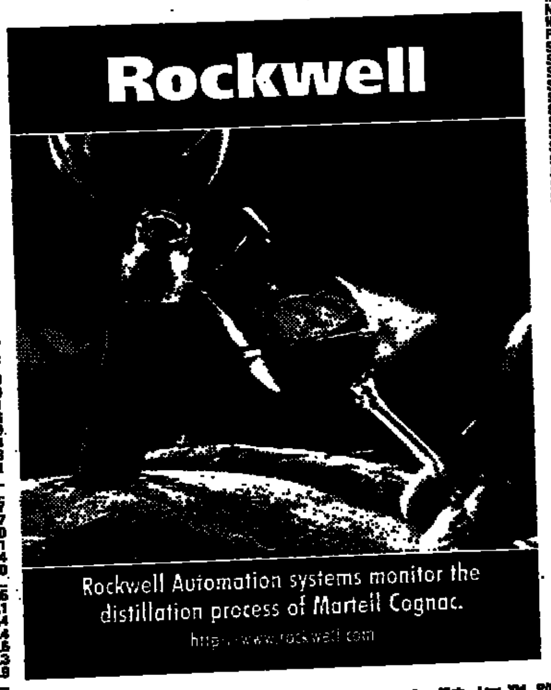
NORWAY (Mar 31 / Kroner)

POLAND (Apr 1 / Zloty)

SWEDEN (Apr 1 / Kronor)

SWITZERLAND (Apr 1 / Frs.)

TURKEY (Apr 5 / Tk Lira)



PACIFIC

JAPAN (Apr 5 / Yen)

AUSTRALIA (Apr 1 / Aust$)

HONG KONG (Apr 1 / H.K.$)

INDONESIA (Apr 5 / Rupiah)

MALAYSIA (Apr 5 / MYR)

NEW ZEALAND (Apr 1 / NZ $)

SINGAPORE (Apr 5 / S$)

SOUTH KOREA (Apr 2 / Won)

TAIWAN (Apr 2 / TW $)

THAILAND (Apr 5 / Baht)

AMERICAS

CANADA

TORONTO (Apr 5 / Can $) 4 pm close

MONTREAL (Apr 5 / Can $) 4 pm close

MEXICO (Apr 5 / Peso) 12.30pm

AFRICA

SOUTH AFRICA (Apr 1 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 2 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY APRIL 1 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	216.91	-0.5	200.51	165.33	231.55	227.48	0.0	3.32	218.01	201.39	164.72	232.19	227.48	219.96	163.86	210.32
Austria (21)	182.19	-0.2	168.42	138.86	171.61	171.61	0.0	2.06	182.61	168.69	137.97	171.61	171.61	253.73	165.27	222.16
Belgium (22)	364.78	-0.2	337.20	278.02	336.40	336.40	0.0	2.01	365.61	337.74	276.24	336.40	336.40	446.95	310.29	310.29
Brazil (29)	137.59	0.0	127.19	104.87	146.87	436.87	-0.0	5.59	137.59	127.10	103.96	146.54	436.87	269.34	89.32	262.78
Canada (113)	211.04	0.4	195.06	160.85	225.27	228.87	0.0	1.72	210.08	194.08	158.73	223.75	228.87	248.78	159.94	243.24
Denmark (34)	422.90	-0.2	390.82	322.32	451.42	396.23	0.0	1.87	423.76	391.46	320.17	451.32	396.23	537.33	406.62	512.13
Finland (29)	690.66	-0.2	638.44	526.40	798.90	798.90	0.0	1.47	692.23	639.48	523.02	798.90	798.90	892.23	338.49	375.18
France (74)	322.72	-0.2	298.31	245.96	307.82	307.82	0.0	1.98	323.45	298.80	244.38	307.82	307.82	354.45	253.86	300.18
Germany (55)	251.45	-0.2	232.44	191.65	237.01	237.01	0.0	1.67	252.02	232.82	190.42	237.01	237.01	325.61	226.35	272.46
Greece (35)	384.44	5.7	355.37	293.01	410.37	833.78	5.9	1.33	363.77	336.05	274.85	387.43	787.04	454.89	211.47	–
Hong Kong, China (66)	323.02	0.0	298.60	246.20	344.81	321.41	0.0	3.53	323.84	298.43	244.08	344.05	321.41	341.96	198.64	341.98
Indonesia (24)	46.57	0.6	43.05	35.50	49.71	244.99	0.0	1.19	46.30	42.77	34.98	49.31	244.99	64.52	19.04	54.99
Ireland (14)	536.80	-0.2	498.02	408.98	552.80	552.00	0.0	1.86	537.81	496.83	406.35	552.00	552.00	605.85	396.15	519.68
Italy (53)	171.23	-0.2	158.28	130.50	229.53	229.53	0.0	1.50	171.61	158.54	129.67	229.53	229.53	192.64	128.68	170.97
Japan (443)	113.02	-0.6	104.47	86.14	120.64	86.14	0.3	0.86	113.68	105.02	85.89	121.07	86.89	113.68	76.89	93.02
Mexico (29)	1492.84	0.1	1379.97	1137.80	1593.54	15505.86	0.0	1.61	1491.27	1377.63	1126.75	1588.26	15505.86	1733.73	787.15	1652.11
Netherlands (26)	487.66	-0.2	450.79	371.68	454.89	454.89	0.0	2.05	488.77	451.53	369.30	454.69	454.69	562.73	394.92	485.51
New Zealand (18)	63.75	-0.6	58.93	48.59	68.05	63.41	0.0	3.78	64.11	59.23	48.44	68.28	63.41	76.03	45.68	73.63
Norway (37)	240.13	-0.2	221.97	183.02	256.33	252.04	0.0	1.95	240.64	222.30	181.82	256.29	252.04	357.71	181.86	330.32
Philippines (22)	90.93	0.1	84.06	69.30	97.06	175.60	0.0	0.84	90.87	83.95	68.66	98.78	175.60	101.69	42.48	97.14
Portugal (18)	228.88	-0.2	211.57	174.44	291.15	291.15	0.0	1.13	229.40	211.92	173.33	291.15	291.15	299.39	194.13	–
Singapore (40)	221.85	-0.2	205.07	169.08	236.81	177.02	0.0	1.48	222.23	205.30	167.91	236.68	177.02	232.72	102.45	221.01
South Africa (34)	205.76	-0.1	190.20	156.82	219.64	277.48	0.0	3.47	205.89	190.20	155.56	219.28	277.48	346.20	151.55	313.06
Spain (30)	365.79	-0.2	338.14	278.80	427.42	427.42	0.0	1.64	365.62	338.69	277.01	427.42	427.42	435.19	290.81	381.19
Sweden (43)	533.35	-0.2	493.03	406.50	569.33	650.29	0.0	1.90	534.42	493.70	403.79	569.18	650.29	628.15	379.18	556.06
Switzerland (30)	387.60	-0.3	358.29	295.42	413.75	355.71	0.0	1.19	388.60	358.99	293.61	413.87	355.71	441.66	307.73	398.37
Thailand (26)	24.45	0.2	22.60	18.64	26.10	35.73	0.2	2.32	24.40	22.54	18.43	25.98	35.66	[illegible]	8.15	27.38
United Kingdom (201)	395.23	-0.1	365.35	301.23	421.89	365.35	0.0	2.61	395.48	365.35	298.81	421.20	365.35	401.84	307.96	394.64
USA (608)	533.85	0.0	493.48	406.88	569.86	533.85	-0.0	1.25	533.85	493.17	403.36	568.57	533.85	542.89	390.12	457.19
Americas (779)	474.43	0.0	438.56	361.60	506.43	402.42	0.0	1.29	474.36	438.21	358.41	505.21	402.42	481.42	347.59	414.21
Europe (723)	353.48	-0.1	326.74	269.40	377.30	340.48	0.0	2.02	353.91	326.94	267.40	376.93	340.33	386.24	282.63	352.05
Eurobloc (342)	99.77	-0.2	92.23	76.04	101.79	101.79	0.0	1.79	100.06	92.38	75.56	101.79	101.79	113.92	81.53	–
Nordic (143)	517.89	-0.2	478.74	394.72	552.83	546.46	0.0	1.77	518.98	479.43	392.12	552.73	546.46	555.97	360.04	488.99
Pacific Basin (714)	120.20	-0.5	111.11	91.61	128.31	94.21	0.2	1.32	120.83	111.62	91.29	128.69	94.00	120.83	82.88	104.41
Euro-Pacific (1437)	216.90	-0.2	200.50	165.31	231.53	186.67	0.1	1.80	217.44	200.87	164.29	231.58	186.48	221.79	166.00	207.62
North America (721)	511.96	0.0	473.25	390.20	546.49	512.77	0.0	1.27	511.88	472.87	386.76	545.17	512.77	519.90	374.92	443.53
Europe Ex. UK (522)	321.83	-0.2	297.49	245.29	343.54	318.37	0.1	1.70	322.35	297.78	243.55	343.31	318.16	386.32	260.93	320.33
Europe Ex. Eurobloc (381)	98.92	0.0	91.44	75.40	105.60	102.00	0.1	2.25	98.95	91.41	74.76	105.39	101.91	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (180)	95.13	0.0	87.94	72.51	101.55	96.72	0.3	1.44	95.68	87.84	71.84	101.27	96.44	109.21	75.16	–
Pacific Ex. Japan (271)	193.52	-0.2	178.89	147.50	206.57	197.75	0.0	3.21	194.00	179.22	146.58	206.52	197.75	206.83	128.26	203.98
World Ex. Eurobloc (1908)	110.76	-0.1	102.38	84.42	118.23	110.45	0.0	1.47	110.84	102.40	83.75	118.05	110.40	111.15	83.09	–
World Ex. US (1642)	216.73	-0.2	200.34	165.18	231.34	191.89	0.1	1.83	217.20	200.64	164.11	231.32	191.71	221.91	165.95	211.80
World Ex. UK (2049)	311.80	-0.1	288.04	237.49	332.62	283.30	0.0	1.39	311.92	288.15	235.68	332.21	283.16	314.12	236.11	281.18
World Ex. Japan (1807)	421.56	0.0	389.68	321.30	449.99	418.26	0.0	1.60	421.73	389.59	318.64	449.16	418.20	427.99	320.58	388.97
The World Index (2250)	318.82	-0.1	294.71	242.99	340.32	290.65	0.0	1.52	319.14	294.82	241.13	339.89	290.72	320.63	242.36	290.75

Emerging markets:

IFC investable indices

Dollar terms

Mar 31 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	805.48	+0.1	+1.0
Brazil	286.94	+0.4	+4.1
Chile	521.96	+1.4	+15.7
Colombia[1]	372.47	-0.1	-15.2
Mexico	618.60	+0.9	+28.5
Peru[2]	143.06	+1.3	+6.5
Venezuela[3]	362.90	+1.3	-19.9
East Asia			
China[4]	24.10	+1.6	-7.9
India[7]	78.68	+1.7	+22.5
Indonesia[6]	22.75	+0.6	-6.0
Korea[5]	56.91	-0.3	+7.4
Malaysia	76.64	+1.1	-13.4
Pakistan[9]	108.67	+0.4	+12.8
Philippines	125.35	+0.5	+1.8
Sri Lanka[10]	84.07		-22.2
Taiwan, China[8]	125.73	-0.2	+8.6
Thailand	80.15	-2.1	-4.8
Europe			
Czech Rep	42.99	+0.8	-15.3
Greece	705.65	-3.9	+13.9
Hungary[11]	238.35	+3.8	-15.1
Poland[12]	510.02	-1.6	-2.6
Portugal	258.96	+0.4	-11.3
Russia	39.40	-1.6	+68.0
Slovakia	34.51	+0.8	-20.8
Turkey[14]	220.56	-0.1	+50.7
Mideast/Africa			
Egypt	71.41	+0.1	+10.8
Israel	122.39	+0.4	+19.7
Jordan	233.22	-0.8	+7.7
Morocco	155.66	-0.3	-7.1
S Africa[13]	142.27	-0.4	+13.6
Zimbabwe[15]	131.94	-2.5	+25.3
Regions			
Composite	205.51	-0.1	+10.0
Latin America	470.89	+0.7	+12.2
Asia	113.28		+5.9
EMEA	127.17	-0.8	+11.3
Europe	164.77	-1.3	+10.0
Eastn Europe	60.35	+0.3	+3.8
ME & Africa	60.48	-0.2	+12.8
Comp + Malay	205.50	-0.0	+8.4
Asia + Malay	110.16	+0.2	+2.0

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 8 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

Prices supplied by Financial Times Information.

4 pm close April 5

NEW YORK STOCK EXCHANGE PRICES

1999 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
		- A -								
24	14 [illegible]	AAR	0.34	1.9	13	931	17 [illegible]	17 [illegible]	17 [illegible]	[illegible]
59 [illegible]	50 [illegible]	AMP	1.08	2.0		20	53 [illegible]	53 [illegible]	53 [illegible]	[illegible]
73 [illegible]	53	AMR			9	15695	64 [illegible]	61 [illegible]	64 [illegible]	+4
19 [illegible]	15 [illegible]	ASA	0.60	3.7	10	288	16 [illegible]	16	16 [illegible]	[illegible]
51 [illegible]	42 [illegible]	AbbtL	0.60	1.2	34	13272	48 [illegible]	47 [illegible]	48 [illegible]	[illegible]
9 [illegible]	7 [illegible]	AbrdAf	0.40	4.4	4	180	8 [illegible]	8 [illegible]	9	[illegible]
35 [illegible]	29 [illegible]	ABM Ind	0.56	1.9	18	209	30 [illegible]	29 [illegible]	30 [illegible]	[illegible]
20 [illegible]	13 [illegible]	Accptcecta			5	383	13 [illegible]	13 [illegible]	13 [illegible]	[illegible]
34 [illegible]	25 [illegible]	ACE Ltd x	0.36	1.2	8	4041	30 [illegible]	30 [illegible]	30 [illegible]	[illegible]
9 [illegible]	8 [illegible]	ACM Gvt In x	0.90	10.7	9	381	8 [illegible]	8 [illegible]	8 [illegible]	[illegible]
8	7 [illegible]	ACM GvOpp x	0.63	8.5		58	7 [illegible]	7 [illegible]	7 [illegible]	[illegible]
9 [illegible]	8 [illegible]	ACM Man x	1.02	11.5		234	9 [illegible]	8 [illegible]	8 [illegible]	[illegible]
5 [illegible]	4	Acme Elect			7	59	4 [illegible]	4 [illegible]	4 [illegible]	[illegible]
[illegible]	[illegible]	Acme Mills				20	[illegible]	[illegible]	[illegible]	
28 [illegible]	22 [illegible]	ACNielsen			30	1748	27 [illegible]	27	27 [illegible]	[illegible]
15 [illegible]	12 [illegible]	Acuson			20	157	15 [illegible]	14 [illegible]	15	[illegible]
27 [illegible]	25 [illegible]	Adams Exp	0.55	2.0	1	882	27 [illegible]	27 [illegible]	27 [illegible]	[illegible]
33	15 [illegible]	AdvMic				5981	15 [illegible]	d15 [illegible]	15 [illegible]	[illegible]
26	18 [illegible]	Advest Grp x	0.16	0.9	8	281	18 [illegible]	d18 [illegible]	18 [illegible]	[illegible]
27 [illegible]	16 [illegible]	Advo Inc			10	896	18 [illegible]	18 [illegible]	18 [illegible]	[illegible]
130 [illegible]	88 [illegible]	Aegon ♣	1.37	1.5	37	334	90 [illegible]	88 [illegible]	90 [illegible]	[illegible]
19 [illegible]	12 [illegible]	Aerflx				892	15 [illegible]	14 [illegible]	15 [illegible]	[illegible]
57 [illegible]	39 [illegible]	Aero-V	0.88	1.5	18	2024	u57 [illegible]	57 [illegible]	57 [illegible]	[illegible]
49 [illegible]	32 [illegible]	AES Corp			22	6258	39 [illegible]	37 [illegible]	38 [illegible]	+1 [illegible]
91 [illegible]	73 [illegible]	Aetna	0.80	0.9	15	3738	84 [illegible]	82 [illegible]	84 [illegible]	+1
51 [illegible]	34 [illegible]	AffCom			28	608	45 [illegible]	43 [illegible]	43 [illegible]	-1 [illegible]
54 [illegible]	39	Aflac ♣	0.28	0.5	28	3717	51 [illegible]	51 [illegible]	51 [illegible]	[illegible]
8 [illegible]	6	AGCO	0.04	0.6	6	1407	6 [illegible]	6 [illegible]	6 [illegible]	[illegible]
23 [illegible]	17 [illegible]	AGL Res	1.08	6.2	14	603	17 [illegible]	d17 [illegible]	17 [illegible]	[illegible]
41 [illegible]	30 [illegible]	AirPrC x	0.68	2.0	14	2793	35 [illegible]	33 [illegible]	34 [illegible]	[illegible]
42 [illegible]	28 [illegible]	Airbrne Frt	0.16	0.5	10	2728	31 [illegible]	30 [illegible]	30 [illegible]	-1 [illegible]
[illegible]										

1999 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
86	59 [illegible]	BrMyS x	0.86	1.3	41	23802	65	63 [illegible]	65	+1 [illegible]
77 [illegible]	58 [illegible]	Br Air x	2.90	4.2	8	76	69 [illegible]	67 [illegible]	68 [illegible]	-1 [illegible]
8 [illegible]	4 [illegible]	BP Prudhoe			3	460	7 [illegible]	7 [illegible]	7 [illegible]	
22 [illegible]	14 [illegible]	BSteel	1.73	8.7	10	589	20 [illegible]	19 [illegible]	20	[illegible]
181 [illegible]	146 [illegible]	BT	3.44	2.1	72	86	164 [illegible]	163	164 [illegible]	[illegible]
16 [illegible]	13	BrwnGp	0.40	2.9	10	619	13 [illegible]	13 [illegible]	13 [illegible]	[illegible]
8 [illegible]	4 [illegible]	BrwnSh				285	4 [illegible]	4 [illegible]	4 [illegible]	
71	52 [illegible]	BrnFrmA	1.18	2.1	19	9	55 [illegible]	55	55 [illegible]	[illegible]
77 [illegible]	56 [illegible]	BrnFrmB	1.18	2.0	21	757	60 [illegible]	59	60 [illegible]	+1 [illegible]
39 [illegible]	26 [illegible]	BrFerr x	0.76	1.9	20	8537	39 [illegible]	39	39 [illegible]	[illegible]
7 [illegible]	5 [illegible]	BRT			5	92	u7 [illegible]	7 [illegible]	7 [illegible]	
28	18 [illegible]	Brnswk	0.50	2.6	10	2308	19 [illegible]	19	19 [illegible]	[illegible]
18 [illegible]	13 [illegible]	Brush Well x	0.48	3.6		6396	15 [illegible]	d12 [illegible]	13 [illegible]	-1 [illegible]
29 [illegible]	25 [illegible]	Buckeye Pl	2.10	8.0	13	385	26 [illegible]	d25 [illegible]	26 [illegible]	[illegible]
15 [illegible]	12 [illegible]	BuckeyeTch			8	633	13 [illegible]	12 [illegible]	13	[illegible]
15 [illegible]	11 [illegible]	BnwADR				46	13 [illegible]	13 [illegible]	13 [illegible]	[illegible]

1999 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
		- E -								
2 [illegible]	2 [illegible]	EEX Inc				6	2 [illegible]	2 [illegible]	2 [illegible]	[illegible]
37 [illegible]	25 [illegible]	EGG ♣	0.56	2.1	12	643	27 [illegible]	26 [illegible]	27 [illegible]	[illegible]
33 [illegible]	20 [illegible]	Earthgrns	0.19	0.7	25	524	22 [illegible]	22 [illegible]	22 [illegible]	[illegible]
37 [illegible]	26 [illegible]	East Utils	1.66	5.8	16	593	28 [illegible]	28 [illegible]	28 [illegible]	
44	36 [illegible]	E Enterpr x	1.68	4.6	16	286	36 [illegible]	d36 [illegible]	36 [illegible]	[illegible]
48 [illegible]	40 [illegible]	EastCh	1.76	4.1	73	1674	44 [illegible]	43 [illegible]	43 [illegible]	[illegible]
80 [illegible]	62 [illegible]	EKodak	1.76	2.5	14	6326	64 [illegible]	63	63 [illegible]	[illegible]
74	62	Eaton	1.76	2.3	15	6573	u75 [illegible]	74 [illegible]	75	+2
41 [illegible]	34 [illegible]	Ecolab ♣ x	0.42	1.2	31	2823	36 [illegible]	35 [illegible]	36 [illegible]	[illegible]
38 [illegible]	27 [illegible]	Edisnlnt x	1.08	4.6	12	7913	23 [illegible]	23 [illegible]	23 [illegible]	[illegible]
41	30 [illegible]	EdwrdAG	0.60	1.8	10	4267	33 [illegible]	32 [illegible]	33 [illegible]	[illegible]
4 [illegible]	3 [illegible]	Elsco Group				67	3 [illegible]	3 [illegible]	3 [illegible]	
87 [illegible]	65 [illegible]	Elan ADR				5874	73 [illegible]	71 [illegible]	73 [illegible]	[illegible]
38 [illegible]	27 [illegible]	Elcor Corp	0.22	0.8	20	132	34 [illegible]	34 [illegible]	34 [illegible]	[illegible]

[illegible]

Yearly highs and lows for NYSE reflect the period from Jan 1 1999. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

‡-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex dividend or ex-rights. xd paid. z-sales in full. ¶ Dealings suspended.

هكذا من الأصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Apr 1	Mar 31	Mar 30	1999 High	1999 Low	Since compilation High	Since compilation Low
Industrials	9832.51	9786.16	9913.26	10006.78 (29/3)	9120.67 (22/1)	10006.78 (29/3/99)	41.22 (8/7/32)
Home Bonds	103.85	104.11	104.05	106.88 (13/1)	103.55 (1/4)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3309.16	3295.04	3367.80	3433.87 (18/3)	3063.80 (22/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	295.01	292.28	293.93	311.87 (4/1)	285.44 (12/2)	320.51 (6/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 9927.80 (s) Low 9706.19 (s) (Theoretical‡)
Day's high (s) (10002.34) Low (s) (9781.45) (Actual‡)

Standard and Poors	Apr 1	Mar 31	Mar 30	1999 High	1999 Low	Since compilation High	Since compilation Low
Composite‡	1293.72	1286.37†	1300.75	1316.55 (18/3)	1212.19 (14/1)	1316.55 (18/3/99)	4.40 (1/6/32)
Industrials¶	1580.22	1548.70†	1568.49	1578.88 (18/3)	1491.72 (14/1)	1578.88 (18/3/99)	3.52 (30/6/32)
Financial¶	139.22	139.23†	140.10	145.47 (15/3)	123.72 (9/2)	147.88 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	604.99	603.65	608.65	617.81 (18/3)	576.62 (9/2)	617.81 (18/3/99)	4.64 (25/4/42)
Amex Comp	711.30	710.30	711.63	721.85 (11/3)	683.51 (4/1)	753.87 (22/4/98)	524.20 (16/7/96)
NASDAQ Cmp	2493.37	2461.76	2480.29	2510.09 (1/2)	2208.05 (4/1)	2510.09 (1/2/99)	54.87 (3/10/74)
Russell 2000	398.74	397.63	398.78	433.13 (11/1)	383.37 (23/3)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Mar 26	Mar 19	Mar 12	Year ago
Dow Jones Ind. Div. Yield	1.61	1.60	1.60	1.30
	Mar 24	Mar 17	Mar 10	Year ago
S & P Ind. Div. yield	1.13	1.11	1.12	1.32
S & P Ind. P/E ratio	39.72	40.63	40.71	30.37

US DATA

MARKET ACTIVITY

Volume (million)	Apr 1	Mar 31	Mar 30
NYSE	705.660	1,085.2	729.030
Amex	29.364	38.616	26.476
NASDAQ	855.897	920.882	801.209

NYSE	Apr 1	Mar 31	Mar 30
Issues Traded	3,527	3,551	3,646
Rises	1,507	1,396	1,257
Falls	1,446	1,643	1,716
Unchanged	574	512	673
New Highs	33	53	38
New Lows	100	181	117

NYSE TRADING ACTIVITY — Volume : 705,660,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
AmOnLne	18,494,300	150	+4
PhMorr	13,021,100	34⅞	-½
LucentTch	8,970,500	111⅜	+3⅞
AtlRch	7,706,300	72⅞	-⅛
Tycoin	7,442,200	71¼	+¼
BP Amoc	6,021,000	95⅞	-5¼
Compaq	5,742,000	31½	-⅛
AT&T	5,990,800	78⅞	-1⅛
SterGr	5,208,100	13	-3⅞
Ctgrp	5,043,500	64⅞	+⅞

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
ClearyGlf	12¼	+2	+19.8
RenStores	12¾	+1¼	+10.3
DataGp	11⅛	+1	+9.9
SprPCS	48¾	+4¼	+9.7
Downs			
SterGr	13	-3⅞	-22.1
Hibernia A	12½	-1	-7.8
Harmna	16	-1¼	-7.2
Ruddick	18¾	-1½	-7.1

NASDAQ TRADING ACTIVITY — Volume :865,897,000

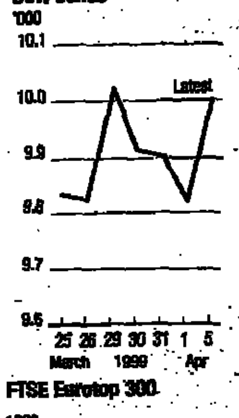
ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Micsft	20,535,400	92⅞	+3⅛
Oracle	18,282,000	25⅞	-⅛
DellComp	16,224,400	41⅛	+⅛
3Com	11,078,800	22⅞	-½
MCIWorm	10,126,900	88¾	+⅞
Yahoo	10,098,100	179¾	+11½
AppMat	8,521,300	64¾	+2⅛
Intel	8,212,100	121⅛	+2⅛
CiscoSys	7,988,000	109⅞	+½
Docmtm	7,537,000	10½	-7⅛

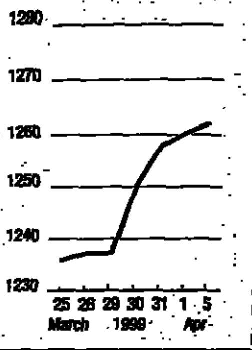
BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Ertlweb	71⅛	+17⅛	+31.1
RealNetwks	157½	+35⅞	+29.2
SiliconVGp	15⅛	+3⅛	+25.9
S&T Banc	23⅞	+4½	+24.8
AmtechCp	18⅛	+3⅛	+22.1
Downs			
IonTchADR	14⅞	-15⅛	-50.8
Docmtm	10½	-7⅛	-41.5
Lifeline	19¾	-4⅛	-17.6

Dow Jones '000



FTSE Eurotop 300



JAPAN

	Apr 5	Apr 2	Apr 1	1999 High	1999 Low	Since compilation High	Since compilation Low
Nikkei 225	16334.78	16290.19	16327.55	16378.78	13232.74	38915.9	85.25

Day's high: 16684.79. Day's low: 16291.13.

TOKYO TRADING ACTIVITY — Volume : 558,700,600

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Fujtsu	20,053,000	2115	+115
FujiBk	13,646,000	768	+10
JGC	12,791,000	300	+10
Sekem	11,768,000	367	-8
NpStl	9,979,000	259	+5
NikkoS	9,205,000	610	-3
ShokJt	9,083,000	203	-11
Nochu	7,319,000	280	+7
KobeSt	6,886,000	85	+2
NpSsin	6,604,000	195	+42

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
NpSsin	195	+42	+27.5
TkChbIn	320	+40	+14.3
MochPh	870	+100	+13.0
Heiwa	2280	+260	+12.9
Downs			
Brothr	338	-20	-5.6
ShokJt	203	-11	-5.1
Seiyu	575	-31	-5.1
N'tendo	10390	-540	-4.9

FRANCE

	Apr 5	Apr 2	Apr 1	1999 High	1999 Low	Since compilation High	Since compilation Low
CAC 40	closed	closed	4228.65	4303.92	3958.72	4388.46	984.61

Day's high: – . Day's low: – .

PARIS TRADING ACTIVITY — Volume : 433,679,400

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Usinor	1,794,331	12.6	+0.4
FrTele	1,580,447	77.3	+2.4
Equant	848,133	71.6	+1.1
Lgardr	778,139	30	-0.09
Axa	757,118	125.3	+2.5
TotalB	705,059	111.2	-2.9
EltAqu	644,043	121.5	-4.3
RhonPA	609,797	42	+0.1
Alcatel	580,056	109	+2.5
Paribas	564,963	103.9	+0.5

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Moulnx	11.06	+0.84	+8.3
Damart	66.7	+2.7	+4.2
Bail.af	986	+36	+3.8
SILIC	160	+5.3	+3.4
Downs			
Legris	40	-3	-7.0
Oxy EO	380	-20	-5
GrpeTM	88	-4	-4.3
Selig	60.35	-2.6	-4.1

GERMANY

	Apr 5	Apr 2	Apr 1	1999 High	1999 Low	Since compilation High	Since compilation Low
DAX	closed	closed	4914.59	5443.82	4678.72	6171.43	931.18

Day's high: – . Day's low: –

FRANKFURT TRADING ACTIVITY — Volume : 7,261,419

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
BASF	280,698	35	+1.1
Dt Bk	257,630	48.25	+0.6
Bayer	252,949	35.6	+0.8
Debtl	241,986	31.3	+0.8
DmlrCh	234,379	82.75	+2.15
Dt Tel	221,143	36.6	+0.75
Veba	191,018	48.7	
RWE	176,831	41.5	+0.5
Dresdbk	158,765	28.2	+0.5
Luftan	146,782	20.35	+0.1

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Ind Wk	20.9	+1.2	+6.1
KlocPr	17.25	+0.75	+4.5
Mannsm	123.3	+5	+4.2
KSB PF	125	+5	+4.2
Downs			
Drgwk	12	-0.6	-4.8
ErgoVr	121	-5	-4.0
DykhfP	241	-9	-3.6
WellaPf	632	-23	-3.5

UK

	Apr 5	Apr 2	Apr 1	1999 High	1999 Low	Since compilation High	Since compilation Low
FTSE 100	closed	closed	6330.0	6335.70	5770.20	6335.7	986.9

Day's high: – . Day's low: –

LONDON TRADING ACTIVITY — Volume : 1,197,300,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Signet	187887500	49¾	+1¾
Railon	51,800,680	121½	+½
BP Amoco	36,770,520	1009½	-39
Zeneca	31,523,450	3037	+109
Tesco	18,053,720	186	+2¾
Vodafone	18,922,880	1182	+31
Shell	18,517,790	417	+¼
ASDA	16,208,780	150¾	-½
Aegis	16,094,290	134½	-1
SeaC Bchm	15,825,100	910	+16½

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Corp Svs	94½	+21	+28.6
Edinburgh	20½	+4	+24.2
Zetatronics	139	+26½	+23.6
Coats	22½	+4	+21.6
IOC Intl	86½	+14½	+20.1
Downs			
Raphael Zn	67½	-25	-27.0
Black	197½	-62½	-24.0
Dawn Dusk	88	-19½	-18.1

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	1293.10	1301.40	+8.10	1302.00	1291.60	90,949	363,067
Sep	-	1305.80	-	-	-	184	4,689

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	15830.0	16330.0	+580.0	16470.0	15800.0	44,332	207,745
Sep	15870.0	16400.0	+840.0	16490.0	15760.0	173	3,985

Open interest figures for previous day

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	4150.0	4234.0	+53.6	4246.5	4138.0	52,808	105,021
Apr	4210.0	4223.0	+30.0	4210.0	4210.0	2	91,220
DAX							
Jun	4840.0	4923.5	+58.0	4933.0	4778.0	40,213	292,595
Sep	4856.0	4958.5	+30.5	4930.0	4813.0	74	1,083

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	733.00	742.50	+4.75	747.00	733.00	13,724	109,985
May	741.50	742.50	+8.50	742.50	741.50	34	1,010
EUREX							
Jun	7025.0	7071.0	-10.0	7075.0	6987.0	11,264	101,024
Sep	7022.0	7089.0	-16.0	7057.0	7015.0	66	3,853

WORLD MARKETS AT A GLANCE

Country	Index	Apr 5	Apr 2	Apr 1	1999 High	1999 Low	Yield	P/E
Argentina	General	17470.63	(c)	(u)	18103.18 6/1	14484.90 14/1	3.96	13.8
Australia	All Ordinaries	(c)	(c)	2973.4	2998.60 26/3	2804.80 14/1	2.96	23.4
	All Mining	(c)	(c)	559.7	613.58 12/1	559.78 1/4		
Austria	ATX Index	(c)	(c)	1183.93	1213.35 18/3	1011.26 22/1	1.98	12.8
India	BSE Sens.	3519.39	(c)	3598.29	3784.31 9/3	3122.04 4/1	na	na
	S & P CNX 500	714.77	(c)	752.64	758.25 31/3	620.19 4/1		

Fell heavily on political concerns.

Country	Index	Apr 5	Apr 2	Apr 1	1999 High	1999 Low	Yield	P/E
Indonesia	Jakarta Comp.	395.33	(c)	394.433	467.94 7/1	372.31 15/3	2.5	17.4

Closed little changed with many regional markets on holiday.

Country	Index	Apr 5	Apr 2	Apr 1	1999 High	1999 Low	Yield	P/E
Ireland	ISEQ Overall	(c)	(c)	5286.86	5498.42 22/3	5064.95 14/1	2	19.4
Portugal	BVL 30	(c)	(c)	4672.57	5258.85 6/1	4370.85 18/3	2.21	25.3
	PSI 20	(c)	(c)	10763.44	12120.85 6/1	10063.86 18/3		
Russia	RTS	73.24	78.74	78.70	90.02 17/3	54.46 28/1	na	na
Singapore	SES All-S'pore	424.18	(c)	414.37	424.18 5/4	351.46 10/2	2.01	22.9
	Straits Times	1581.60	(c)	1545.19	1581.60 5/4	1288.56 10/2		

Strong demand for financials sent shares firmly ahead.

[illegible]

THE NASDAQ-AMEX MARKET GROUP

4 pm close April 5

[illegible]

AMEX

4 pm close April 5

[illegible]

EASDAQ

[illegible]

WORLD STOCK MARKETS

Jobless data help Dow hit 10,000 again

AMERICAS

The Dow Jones Industrial Average reached the 10,000 level again in early trading, buoyed by strong technology stocks and data released on Friday, which showed that the US unemployment rate dropped to its lowest level for 29 years in March, *writes Andrew Edgecliffe-Johnson in New York.*

Four trading days after the Dow first closed above 10,000, only to slide back below 9,800, it rose 170.38 or 1.7 per cent to 10,002.89. The broader S & P 500 index was also up, adding 1.8 per cent or 23.99 to 1,317.71, while the Nasdaq advanced 2.1 per cent or 53.12 to 2,546.49.

In contrast to recent weeks, there was little merger and acquisition activity to drive stocks. Ameritech added $1 to $61¾ when it announced plans to sell some of its cellular telephone properties to GTE, which slipped $½ to $60¼.

Technology stocks were in favour as Yahoo! announced plans to offer internet services to hand-held and television-based devices. Yahoo! advanced $24¾ to $204¼.

Among technology shares within the Dow, Hewlett-Packard was up 4.4 per cent after product news, and IBM advanced 2.5 per cent amid interest in internet security-related stocks.

Outside the Dow, America Online rose $4 9/16 to $154 13/16 – a new high – after news that it had bought an internet calendar company, When, for an undisclosed amount of stock.

Merck was among just five fallers in the Dow, slipping $1 13/16 to $78¼.

TORONTO tracked Wall Street higher in early trading with strong gains in telecoms and banks helping to send the 300 composite index up 45.69 at 6,670.50 at noon.

Overall volumes were dull, but telecoms pushed ahead. Northern Telecom rose C$1.80 to C$96.90 and BCE added 50 cents at C$69. Newbridge Networks gained C$1.55 to C$51.05.

Banks too were in demand. Royal Bank of Canada and Toronto-Dominion added 70 cents at C$72.45 and C$70.95 respectively. Among industrials, Seagram advanced C$1.10 to C$78.90.

Golds were a weak spot. Barrick came off 75 cents at C$24.80 and Placer Dome 25 cents to C$16.35.

MEXICO CITY moved steadily higher in early trading with investors taking their cue from the initial gains on Wall Street. The benchmark IPC index was up 114.49 at 5,044.54 at midsession.

CARACAS, which last traded on Wednesday, shot ahead in early trading. At midsession, the IBC index was up 117.81 at 4,251.70.

Treasuries edge lower

GOVERNMENT BONDS

US Treasury prices edged lower in morning trading, wiping out small early gains as the market failed to continue Friday's rally following the release of employment data, *writes Tracy Corrigan in New York.*

Bonds were dull in marked contrast to further strong gains for US equities. The only economic news release was the National Association of Purchasing Management index of business in the non-manufacturing sector which rose to 62.5 in March. The market showed little reaction to the figures.

At midday, 30-year bonds were down 1/32 at 94 19/32 to yield 5.609 per cent and 10-year notes 1/32 at 96 25/32 to yield 5.213 per cent. Five-year notes were 1/32 lower at 98¾ to yield 5.07 per cent.

Mergers drag bank shares from brink

But there are doubts the recovery achieved since Russia's crisis can be sustained, says Bertrand Benoit

European bank shares are back from the abyss they fell into last year. The recent mergers and acquisitions frenzy – although not the sole factor – has helped pull them out of their misery. But there are doubts about the sustainability of the momentum.

Bank stocks rose by 10.8 per cent in the first quarter of 1999, outperforming the FTSE Eurotop 300 index by 47 per cent.

Shares have now recovered most of the ground lost when the Russian financial crisis sent prices down almost 40 per cent last summer.

Although the recovery began in October, analysts attribute the more recent pick-up to the flurry of M&A deals during the past three months.

"Since the first wave of consolidation in 1997 and 1998, the bull market has been looking for ways to reinvent itself," says Jonathan Morris, European bank analyst at Dresdner Kleinwort Benson. By giving the nod to recent merger projects, he argues, European competition watchdogs have provided just that.

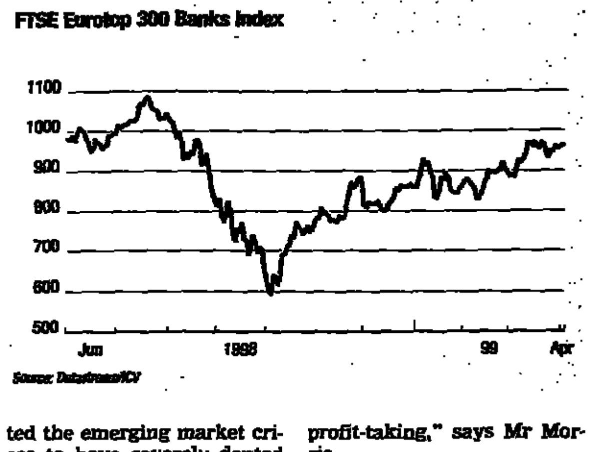
"The benchmark Spanish deal in January was clearly the trigger for a great deal of subsequent activity," says Ben Funnell, European strategist at Morgan Stanley.

The performance of banks involved in M&A transactions bears witness to the upside provided by such deals. Banco Santander of Spain added 13.2 per cent during the quarter while its partner Banco Central Hispano rose 14.1 per cent. France's Société Générale – which announced a merger with Paribas in January only to become the target of a hostile bid from rival BNP – gained 21.1 per cent. BNP rose 10.5 per cent.

M&A activity, however, does not account for the performance of banks that have remained on the sidelines.

One decisive factor was surprisingly positive results. While most analysts expected the emerging market crises to have severely dented profit and loss accounts for 1998, 40 European banks out of 50 reported in-line or higher-than-expected results.

FTSE Eurotop 300 Banks Index



Source: Datastream/ICV

The recovery for bank stocks has been so dramatic that most bankers doubt it will be replicated in the second quarter. The pace of consolidation, in particular, is unlikely to be sustained.

"The news flow will slow down and that may spark profit-taking," says Mr Morris.

For Mark Hoge, European banking analyst at Credit Suisse First Boston, the prospect is that "we may see cross-border mergers or bank-insurance deals, but those are less likely to create value than in-market consolidation". Another worry is that the amount of new equity coming to the market could exceed the appetite of investors.

The second quarter alone will see €11.8bn of new supply. Italy's UniCredito and Deutsche Bank of Germany are planning large secondary offerings, while the privatisation of Credit Lyonnais in France and of Monte dei Paschi in Italy, will flush the market with €5.5bn worth of new shares.

It will be equally difficult for the sector to maintain its earnings momentum, let alone match the results of the first half of 1998.

With international currency turmoil showing signs of dissipating, investment banks look to be over the worst. A bigger question mark hangs over retail and wholesale banks.

These business segments have done well in the low inflationary environment.

Although low interest rates have diminished demand for deposits, forcing banks to refinance their loans in the more expensive inter-bank market, this has been offset by rising consumer credit. In Italy alone, credit demand grew by 14.2 per cent in 1998.

The move by investors from deposits into mutual funds also has been a boon for banks in Germany, Italy and France, which enjoy a near monopoly on the distribution of such funds.

Banks-cum-insurance companies, such as Fortis in the Benelux region, have boosted profits by selling life assurance and pension funds. But the recent pick-up in oil prices has altered the picture by threatening higher inflation.

Most analysts now believe the next rate cut by the European Central Bank will be the last one in the economic cycle.

If rates begin to rise, they could prompt a fall in consumer credit, a rise in the cost of funding, and cut returns on investment portfolios.

This, coupled with higher IT expenditure and risk provisioning ahead of the year 2000, could dent future earnings.

Bombay falls sharply on political turmoil

ASIA PACIFIC

A sudden attack of political jitters sent **BOMBAY** steeply lower, slicing 4.5 per cent off the BSE-30 index which closed down 166.9 at 3,519.39.

Signs that the ruling coalition government was in crisis sparked a wave of selling by nervous investors amid talk that coalition in-fighting could delay the implementation of the Indian budget.

The shakeout comes in the wake of a strong post-budget rally for Indian equities which until last Thursday were sitting on gains this year of more than 14 per cent. However, the benchmark index has now fallen 220 points in two sessions.

TOKYO was largely unmoved by a marginally more optimistic tankan survey of business confidence, *writes Paul Abrahams.*

The benchmark Nikkei 225 average closed up 44.6 at 16,334. It gained 2 per cent at one point, trading as high as 16,634 and as low as 16,231.

The more representative weighted Nikkei 300 index gained 0.34 to 262.67 while the Topix index of all first section shares rose 3 to 1,307. Trading was heavy with 558.7m shares changing hands. The momentum was positive with 801 stocks higher and 433 down.

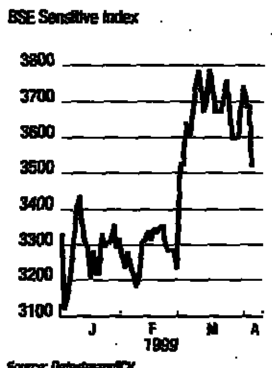
Fujitsu, the electronics group, continued its rise as investors chased one of Japan's few internet-related stocks. Last month the company announced it was adding to its stake in Nifty, the internet service provider.

Fujitsu also announced plans for a press conference today with Hitachi to provide details of a joint venture in plasma display panels. The shares gained Y115 or 5.75 per cent to Y2,115.

Softbank, which has a range of investments in US internet stocks, hit another all-time high of Y15,170. It closed up Y750 or 5.3 per cent at Y14,940 and has gained 12.5 per cent in the last three trading sessions.

India

BSE Sensitive Index



Source: Datastream/ICV

Yakult, the yoghurt maker, gained 8.3 per cent or Y77 to Y1,010 after the company raised its parent company pre-tax profit forecast by 30 per cent to Y13bn. It predicted a profit of Y14bn next year. In Osaka, the OSE index closed up 91 at 17,639.

SINGAPORE rose to a fresh high for the year with the Straits Times index up 36.41 or 2.4 per cent to 1,581.60, its best level since the second week of January.

Dealers said foreign funds were active with a number of buy programmes and talk of further financial deregulation and a possible cut for interest rates later this month boosting sentiment. The property index rose 4.7 per cent to a 16-month high and the finance sector gained 3.1 per cent.

Hotel Properties was the most active stock, rising 5 cents to 93 cents in 30m shares traded. Blue-chip City Developments added 35 cents at S$9.65. Wing Thai and Keppel Land also hit 1999 peaks.

KUALA LUMPUR, up more than 7 per cent over the two previous sessions, ran into profit-taking which left the composite index off 4.23 at 535.84 in heavy volume of 208m shares.

The market continued to push higher in early trading, rising to 550.35 on the news that banking leader Maybank had trimmed its base lending rate. Helped by a Standard & Poor's upgrade for Singapore debt, inter-bank rates have been moving steadily lower.

However, by early afternoon the profit-takers were in full cry. Maybank improved 25 cents to S$7.35, but most financials lost ground. The property index ended 3.2 per cent lower.

BANGKOK ended 6.37 or 1.8 per cent lower at 350.73 on the SET index, overshadowed by news that two finance companies had fallen foul of the regulator.

SG Asia Credit crashed 20.9 per cent and Krungthai Thanakit 16.7 per cent after failing to maintain net equity at minimum levels. The two were among the day's most actively traded stocks. Top of the activity charts was Krung Thai Bank, off Bt0.75 at Bt17.

SHANGHAI pushed ahead in the best turnover of the year so far with a wave of buying sparked by news of a plan by fertiliser group Yuntianhua to buy the state's 35 per cent shareholding. Domestic A shares hit a peak for the year and the hard-currency B shares gained 0.5 per cent.

MANILA responded to a central bank rate cut by pushing the composite index up 12.96 to 2,041.17.

Mobile phone leader Pilipino Telephone was one of the firmer features, rising 32 centavos or 20.5 per cent to 1.88 pesos on a rumour that parent company PLDT was set to launch a debt-aid package. PLDT hardened 5 pesos to 1,025 pesos.

● Most European markets were closed for the Easter holiday.